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COVENANT

OF THE

LEAGUE OF NATIONS

(With Amendments in Process of Ratification)

VIN

Information Section,
League of Nations Secretariat,
GENEVA.

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NOTE

This pamphlet is one of a short series issued by the Information Section of the Secretariat of the League of Nations on various aspects of League work. It contains the text of the Covenant, which constitutes the first twenty-six Articles of the Treaty of Versailles and other Peace Treaties, together with the amendments adopted by the Second Assembly (1921).

It should be noted that Article 26, unamended, provides that :

"Amendments to this 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."

By January 23rd, 1924, although a large number of ratifications had been deposited, none of the amendments had received the total ratifications required for its entry into force.

Other pamphlets in this series deal with the constitution and organisation of the League, the Permanent Court of International Justice, political activities, the reconstruction of Austria, financial and economic work, the financial administration of the League and allocation of expenses.

disarmament, health, mandates, transit, minorities, the administration of Danzig and the Saar, intellectual co-operation, and humanitarian activities.

These pamphlets, which are issued for the purposes of information, are not to be regarded as in any way taking the place of official documents or engaging the responsibility of the League.

February 1924.

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THE COVENANT OF THE LEAGUE OF NATIONS

THE HIGH CONTRACTING PARTIES,

In order to promote international co-operation, and to achieve international peace and security by the acceptance of obligations not to resort to war, by the prescription of open, just and honourable relations between nations, by the firm establishment of the understandings of international law as the actual rule of conduct among Governments, and by the maintenance of justice and a scrupulous respect for all treaty obligations in the dealings of organised peoples with one another,

Agree to this Covenant of the League of Nations.

ARTICLE I.

The original Members of the League shall be those of the Signatories which are named in the Annex to this Covenant and also such of those other States named in the Annex as shall accede without reservation to this Covenant. Such accession shall be effected by a Declaration deposited with the Secretariat within two months of the coming into force of the Covenant. Notice thereof shall be sent to all other Members of the League.

Any fully self-governing State, Dominion or Colony not named in the Annex may become a Member of the League if its admission is agreed to by two-thirds of the Assembly, provided that it shall give effective guarantees of its sincere intention to observe its international obligations and shall

accept such regulations as may be prescribed by the League in regard to its military, naval and air forces and armaments.

Any Member of the League may, after two years' notice of its intention so to do, withdraw from the League, provided that all its international obligations and all its obligations under this Covenant shall have been fulfilled at the time of its withdrawal.

ARTICLE 2

The action of the League under this Covenant shall be effected through the instrumentality of an Assembly and of a Council, with a permanent Secretariat.

ARTICLE 3

The Assembly shall consist of Representatives of the Members of the League.

The Assembly shall meet at stated intervals and from time to time, as occasion may require, at the Seat of the League or at such other place as may be decided upon.

The Assembly may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world.

At meetings of the Assembly, each Member of the League shall have one vote and may have not more than three Representatives.

ARTICLE 4

The Council shall consist of Representatives of the Principal Allied and Associated Powers ⁽¹⁾, together with

(1) The Principal Allied and Associated Powers are the following : the United States of America, the British Empire, France, Italy and Japan (see Preamble of the Treaty of Peace with Germany).

Representatives of four other Members of the League. These four Members of the League shall be selected by the Assembly from time to time in its discretion. Until the appointment of the Representatives of the four Members of the League first selected by the Assembly, Representatives of Belgium, Brazil, Greece and Spain shall be Members of the Council.

With the approval of the majority of the Assembly, the Council may name additional Members of the League whose Representatives shall always be Members of the Council; the Council, with like approval, may increase the number of Members of the League to be selected by the Assembly for representation on the Council.

The Council shall meet from time to time as occasion may require, and at least once a year, at the Seat of the League, or at such other place as may be decided upon.

The Council may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world.

Any Member of the League not represented on the Council shall be invited to send a Representative to sit as a member at any meeting of the Council during the consideration of matters specially affecting the interests of that Member of the League.

At meetings of the Council, each Member of the League represented on the Council shall have one vote and may have not more than one Representative.

AMENDMENT. — 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."

Ratified by thirty States.

ARTICLE 5

Except where otherwise expressly provided in this Covenant, or by the terms of the present Treaty, decisions at any meeting of the Assembly or of the Council shall require the agreement of all the Members of the League represented at the meeting.

All matters of procedure at meetings of the Assembly or of the Council, including the appointment of Committees to investigate particular matters, shall be regulated by the Assembly or by the Council and may be decided by a majority of the Members of the League represented at the meeting.

The first meeting of the Assembly and the first meeting of the Council shall be summoned by the President of the United States of America.

ARTICLE 6

The permanent Secretariat shall be established at the Seat of the League. The Secretariat shall comprise a Secretary-General and such secretaries and staff as may be required.

The first Secretary-General shall be the person named in the Annex; thereafter the Secretary-General shall be appointed by the Council with the approval of the majority of the Assembly.

The secretaries and staff of the Secretariat shall be appointed by the Secretary-General with the approval of the Council.

The Secretary-General shall act in that capacity at all meetings of the Assembly and of the Council.

The expenses of the Secretariat shall be borne by the Members of the League in accordance with the apportionment of the expenses of the International Bureau of the Universal Postal Union.

AMENDMENT. — *That the following shall be inserted in the Annex to the Covenant :*

III

ALLOCATION OF THE EXPENSES OF THE LEAGUE,

States	Units payable
Albania.	2
Argentina.	35
Australia.	15
Austria.	2
Belgium.	15
Bolivia.	5
Brazil.	35
British Empire.	90
Bulgaria.	10
Canada.	35
Chile.	15
China.	65
Colombia.	10
Costa Rica.	2
Cuba.	10
Czechoslovakia.	35
Denmark.	10
Esthonia.	5
Finland.	5
France.	90

States	Units payable
Greece	10
Guatemala	2
Haiti	5
Honduras	2
India	65
Italy	65
Japan	65
Latvia	5
Liberia	2
Lithuania	5
Luxemburg	2
Netherlands	15
New Zealand	10
Nicaragua	2
Norway	10
Panama	2
Paraguay	2
Peru	10
Persia	10
Poland	15
Portugal	10
Roumania	35
Salvador	2
Kingdom of the Serbs, Croats and Slovenes	35
Siam	10
South Africa	15
Spain	35
Sweden	15
Switzerland	10
Uruguay	10
Venezuela	5

Ratified by ten States(*).

(*) See footnote on following page.

That the last paragraph of Article 6 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."

Ratified by thirty States

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 in Annex 3 shall be applied as from January 1st, 1922, until a revised allocation has come into force after adoption by the Assembly."

Ratified by eleven States (*).

ARTICLE 7

The Seat of the League is established at Geneva.

The Council may at any time decide that the Seat of the League shall be established elsewhere.

All positions under or in connection with the League, including the Secretariat, shall be open equally to men and women.

Representatives of the Members of the League and officials of the League when engaged on the business of the League shall enjoy diplomatic privileges and immunities.

The buildings and other property occupied by the League or its officials or by Representatives attending its meetings shall be inviolable.

(*) As it became apparent that the necessary number of ratifications would not be obtained for these two amendments, the Council, at the request of the Third Assembly, informed the States Members of the League that ratification was no longer necessary.

ARTICLE 8

☛ The Members of the League recognise that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.

The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several Governments.

☛ Such plans shall be subject to reconsideration and revision at least every ten years.

After these plans shall have been adopted by the several Governments, the limits of armaments therein fixed shall not be exceeded without the concurrence of the Council.

The Members of the League agree that the manufacture by private enterprise of munitions and implements of war is open to grave objections. The Council shall advise how the evil effects attendant upon such manufacture can be prevented, due regard being had to the necessities of those Members of the League which are not able to manufacture the munitions and implements of war necessary for their safety.

The Members of the League undertake to interchange full and frank information as to the scale of their armaments, their military, naval and air programmes, and the condition of such of their industries as are adaptable to warlike purposes.

ARTICLE 9

A permanent Commission shall be constituted to advise the Council on the execution of the provisions of Articles 1 and 8, and on military, naval and air questions generally.

ARTICLE 10

The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members of the League. In case of any aggression, or in case of any threat or danger of such aggression, the Council shall advise upon the means by which this obligation shall be fulfilled.

ARTICLE 11

Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations. In case any such emergency should arise, the Secretary-General shall on the request of any Member of the League forthwith summon a meeting of the Council.

It is also declared to be the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding between nations upon which peace depends.

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 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 report by the Council.

In any case under this Article the award of the arbitrators 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.

AMENDMENT. — *Article 12 shall 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 inquiry 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.

Ratified by twenty-nine States.

ARTICLE 13

The Members of the League agree that whenever any dispute shall arise between them, which they recognise to be suitable for submission to arbitration, and which cannot be satisfactorily settled by diplomacy, they will submit the whole subject-matter to arbitration.

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

paration to be made for any such breach, are declared to be among those which are generally suitable for submission to arbitration.

For the consideration of any such dispute, the court of arbitration to which the case is referred shall be the court 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 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, the Council shall propose what steps should be taken to give effect thereto.

AMENDMENT. — "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."

Ratified by twenty-nine States.

ARTICLE 14

The Council shall formulate and submit to the Members of the League for adoption plans for the establishment of a Permanent Court of International Justice. The Court shall be competent to hear and determine any dispute of an international character which the parties thereto submit to it. The Court may also give an advisory opinion upon any dispute or question referred to it by the Council or by the Assembly.

ARTICLE 15

If there should arise between Members of the League any dispute likely to lead to a rupture which is not submitted to arbitration as above, 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.

For this purpose the parties to the dispute will communicate to the Secretary-General, as promptly as possible, statements of their case with all the relevant facts and papers, and the Council may forthwith direct the publication thereof.

The Council shall endeavour to effect a settlement of the dispute, and, if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

If the dispute is not thus settled, the Council, either unanimously or by a majority vote, shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto.

Any Member of the League represented on the Council may make public a statement of the facts of the dispute and of its conclusions regarding the same.

If a report by the Council is unanimously agreed to by the Members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League agree that they will not go to war with any party to the dispute which complies with the recommendations of the report.

If the Council fails to reach a report which is unanimously agreed to by the Members thereof, other than the Representatives of one or more of the parties to the dispute, the Members of the League reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice.

If the dispute between the parties is claimed by one of them, and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report and shall make no recommendation as to its settlement.

The Council may in any case under this Article refer the dispute to the Assembly. The dispute shall be so referred at the request of either party to the dispute, provided that

such request be made within fourteen days after the submission of the dispute to the Council.

In any case referred to the Assembly, all the provisions of this Article and of Article 12 relating to the action and powers of the Council shall apply to the action and powers of the Assembly, provided that a report made by the Assembly, if concurred in by the Representatives of those Members of the League represented on the Council and of a majority of the other Members of the League, exclusive in each case of the Representatives of the parties to the dispute, shall have the same force as a report by the Council concurred in by all the Members thereof, other than the Representatives of one or more of the parties to the dispute.

AMENDMENT. — *The first paragraph of Article 13 shall 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."

Ratified by twenty-nine States.

ARTICLE 16

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 submit it to the severance of all trade or

financial relations, the prohibition of all intercourse between their nationals and the nationals of the Covenant-breaking State, and the prevention of 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.

It shall be the duty of the Council in such case to recommend to the several Governments concerned what 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.

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.

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.

AMENDMENTS. — *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.

Ratified by eighteen States.

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."

Ratified by eighteen States.

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."

Ratified by eighteen States.

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."

Ratified by nineteen States.

ARTICLE 17

In the event of a dispute between a Member of the League and a State which is not a Member of the League, or between States not Members of the League, the State or States not Members of the League shall be invited to accept the obligations of membership in the League for the purposes of such dispute, upon such conditions as the Council may deem just. If such invitation is accepted, the provisions of Articles 12 to 16 inclusive shall be applied with such modifications as may be deemed necessary by the Council.

Upon such invitation being given, the Council shall immediately institute an enquiry into the circumstances of the dispute and recommend such action as may seem best and most effectual in the circumstances.

If a State so invited shall refuse to accept the obligations of membership in the League for the purposes of such dispute and shall resort to war against a Member of the League, the provisions of Article 16 shall be applicable as against the State taking such action.

If both parties to the dispute, when so invited, refuse to accept the obligations of membership in the League for the purposes of such dispute, the Council may take such measures and make such recommendations as will prevent hostilities and will result in the settlement of the dispute.

ARTICLE 18

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. No such treaty or international engagement shall be binding until so registered.

ARTICLE 19

The Assembly may from time to time advise the reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world.

ARTICLE 20

The Members of the League, severally agree that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof, and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof.

In case any Member of the League shall, before becoming a Member of the League, have undertaken any obligations inconsistent with the terms of this Covenant, it shall be the duty of such Member to take immediate steps to procure its release from such obligations.

ARTICLE 21

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.

ARTICLE 22

To those colonies and territories which as a consequence of the late war have ceased to be under the sovereignty of the States which formerly governed them, and which are inhabited by peoples not yet able to stand by themselves

under the strenuous conditions of the modern world, there should be applied the principle that the well-being and development of such peoples form a sacred trust of civilisation and that securities for the performance of this trust should be embodied in this Covenant.

The best method of giving practical effect to this principle is that the tutelage of such peoples should be entrusted to advanced nations which, by reason of their resources, their experience or their geographical position, can best undertake this responsibility and which are willing to accept it, and that this tutelage should be exercised by them as Mandatories on behalf of the League.

The character of the mandate must differ according to the stage of the development of the people, the geographical situation of the territory, its economic conditions and other similar circumstances.

Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognised, subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory.

Other peoples, especially those of Central Africa, are at such a stage that the Mandatory must be responsible for the administration of the territory under conditions which will guarantee freedom of conscience or religion, subject only to the maintenance of public order and morals, the prohibition of abuses, such as the slave trade, the arms traffic and the liquor traffic, and the prevention of the establishment of fortifications or military and naval bases and of military training of the natives for other than police purposes and the defence of territory, and will also secure equal opportunities for the trade and commerce of other Members of the League.

There are territories, such as South-west Africa and certain of the South Pacific Islands, which, owing to the sparseness of their population, or their small size, or their remoteness from the centres of civilisation, or their geographical contiguity to the territory of the Mandatory, or other circumstances, can be best administered under the laws of the Mandatory as integral portions of its territory, subject to the safeguards above mentioned in the interests of the indigenous population.

In every case of mandate, the Mandatory shall render to the Council an annual report in reference to the territory committed to its charge.

The degree of authority, control or administration to be exercised by the Mandatory shall, if not previously agreed upon by the League, be explicitly defined in each case by the Council.

A permanent Commission shall be constituted to receive and examine the annual reports of the Mandatories and to advise the Council on all matters relating to the observance of the mandates.

ARTICLE 23

Subject to and in accordance with the provisions of international conventions existing or hereafter to be agreed upon, the Members of the League :

- (a) Will endeavour to secure and maintain fair and humane conditions of labour for men, women and children, both in their own countries and in all countries to which their commercial and industrial relations extend, and for that purpose will establish and maintain the necessary international organisations;
- (b) Undertake to secure just treatment of the native inhabitants of territories under their control;

- (c) Will entrust the League with the general supervision over the execution of agreements with regard to the traffic in women and children and the traffic in opium and other dangerous drugs;
- (d) Will entrust the League with the general supervision of the trade in arms and ammunition with the countries in which the control of this traffic is necessary in the common interest;
- (e) Will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League. In this connection, the special necessities of the regions devastated during the war of 1914-1918 shall be borne in mind;
- (f) Will endeavour to take steps in matters of international concern for the prevention and control of disease.

ARTICLE 24

There shall be placed under the direction of the League all international bureaux already established by general treaties if the parties to such treaties consent. All such international bureaux and all commissions for the regulation of matters of international interest hereafter constituted shall be placed under the direction of the League.

In all matters of international interest which are regulated by general conventions but which are not placed under the control of international bureaux or commissions, the Secretariat of the League shall, subject to the consent of the Council and if desired by the parties, collect and distribute all relevant information and shall render any other assistance which may be necessary or desirable.

The Council may include as part of the expenses of the Secretariat the expenses of any bureau or commission which is placed under the direction of the League.

ARTICLE 25

The Members of the League agree to encourage and promote the establishment and co-operation of duly authorised voluntary national Red Cross organisations having as purposes the improvement of health, the prevention of disease and the mitigation of suffering throughout the world.

ARTICLE 26

Amendments to this 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.

AMENDMENTS. — *The first paragraph of Article 26 of the Covenant shall be replaced by the following text :*

"Amendments to the present Covenant the text of which shall have been voted by the Assembly on 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."

Ratified by thirty States.

A paragraph reading as follows shall be added after the first paragraph of Article 26

"If the required number of ratifications shall not have been obtained within twenty-two months after the vote of the Assembly, the proposed amendment shall remain without effect."

Ratified by twenty-nine States.

The second paragraph of the present Article 26 shall be replaced by the two following paragraphs:

"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."

Ratified by twenty-nine States.

ANNEX

I. *Original Members of the League of Nations, Signatories of the Treaty of Peace.*

America, United States of	Haiti
Belgium	Hedjaz
Bolivia	Honduras
Brazil	Italy
British Empire	Japan
Australia	Liberia
Canada	Nicaragua
India	Panama
New Zealand	Peru
South Africa	Poland
China	Portugal
Cuba	Roumania
Czechoslovakia	Kingdom of the Serbs, Croats and Sloyenes
Ecuador	Siam
France	Uruguay
Greece	
Guatemala	

States invited to accede to the Covenant.

Argentine Republic	Persia
Chile	Salvador
Colombia	Spain
Denmark	Sweden
Netherlands	Switzerland
Norway	Venezuela
Paraguay	

II. *First Secretary-General of the League of Nations.*

The Hon. Sir James Eric DRUMMOND, K.C.M.G., C.B.

Annex I

States that became Members of the League of Nations
by resolution of the First Assembly (1920) :

Albania
Austria
Bulgaria

Costa Rica
Finland
Luxemburg

States that became Members of the League of Nations by
resolution of the Second Assembly (1921)

Estonia
Lithuania

Latvia

State that became Member of the League of Nations, by
resolution of the Third Assembly (1922) :

Hungary

States that became Members of the League of Nations
by resolution of the Fourth Assembly (1923) :

Irish Free State

Ethiopia

The admission of these States brings the number of States
Members of the League up to fifty-four.

Annex II

TABLE OF RATIFICATIONS OF AMENDMENTS TO THE COVENANT
UP TO JANUARY 23rd, 1924.

"1" Opposite the name of a State denotes Ratification.

[illegible]

AMENDMENTS	ART. 4	ART. 6 (last par.)	ART. 6 (new par.)	ART. 6 (addition to A. ex Gov.)	ART. 17	ART. 18	ART. 18	ART. 16 (first par.)	ART. 26 (second par.)	ART. 16 (third par.)	ART. 26 (fourth par.)	ART. 26 (first par.)	ART. 26 (new par.)	ART. 26 (second, par.)	TOTAL of Ratifications by each State
<i>Ratifications by</i>															
CANADA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
CHILE	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
CHINA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
COLOMBIA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
COSTA RICA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
CUBA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
CZECHOSLOVAKIA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
DENMARK	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
ESTHONIA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
FINLAND	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
FRANCE	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
GREECE	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
GUATEMALA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
HAITI	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
HONDURAS	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
HUNGARY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12

AMENDMENTS		Ratifications by									
	ART. 4										
	ART. 6 (last par.)										
	ART. 6 (new par.)										
	ART. 6 (addition to Annex Cov.)										
	ART. 12										
	ART. 13										
	ART. 15										
	ART. 16 (first par.)										
	ART. 16 (second par.)										
	ART. 16 (third par.)										
	ART. 16 (fourth par.)										
	ART. 26 (first par.)										
	ART. 26 (new par.)										
	ART. 26 (second par.)										
	TOTAL of ratifications by each State	10	0	0	0	0	0	0	0	0	0

AMENDMENTS	ART. 4	ART. 6 (last par.)	ART. 6 (new par.)	ART. 6 (addition to Annex Cov.)	ART. 12	ART. 13	ART. 15	ART. 16 (first par.)	ART. 16 (second par.)	ART. 16 (third par.)	ART. 16 (fourth par.)	ART. 26 (first par.)	ART. 26 (new par.)	ART. 26 (second par.)	TOTAL of ratifications by each State
<i>Ratifications by</i>															
PORTUGAL		1	1	1	1		1	1	1	1	1	1	1	1	14
ROUMANIA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SALVADOR	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
KINGDOM OF THE SERBS, CROATS AND SLOVENES . .	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SIAM	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SOUTH AFRICA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SPAIN	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SWEDEN	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
SWITZERLAND	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
URUGUAY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
VENEZUELA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12
TOTAL	30	30	31	30	31	31	31	31	31	31	31	31	31	31	31

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THE 2
League of Nations

ITS CONSTITUTION
AND
ORGANISATION

VIN: 2 (2)

F3

Information Section,
League of Nations Secretariat,
GENEVA.

NOTE

This pamphlet is one of a short series issued by the Information Section of the Secretariat of the League of Nations on various aspects of League work. Its object is to explain in objective terms what the League is, what are the provisions of the Covenant, how the League is organised, and how it works in practice. There has been no attempt to describe what the League has done, except, in a limited degree, for the purpose of showing the machinery in action.

The general work of the League is described in other pamphlets in this series which deal with the Permanent Court of International Justice, the financial reconstruction of Austria, political activities, financial and economic work, financial administration of the League and allocation of expenses, disarmament, health, mandates, transit, minorities, administration of Danzig and the Saar Basin, intellectual co-operation, and humanitarian activities.

These pamphlets, which are issued for information purposes, should not be regarded as taking in any way the place of official documents.

December 1923.

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THE LEAGUE OF NATIONS

ITS CONSTITUTION AND ORGANISATION

Introduction.

« A method which makes all change a subject of compromise naturally begets moderation. » — (*Edmund Burke.*)

The League of Nations is an association of self-governing States organised on permanent lines in an effort to broaden the basis of peace and to lessen the chances of war. Its constitution is contained in the Covenant, which forms Part I of the Treaties of Versailles, Saint-Germain, Neuilly, and Trianon, and it came into force on January 10th, 1920, the date on which the instrument of ratification of the Treaty of Versailles was deposited by the representatives of Germany.

The general principles are simply stated in the Preamble, by which the Members of the League agree to its terms as a means of promoting international co-operation and achieving international peace and security :

By the acceptance of obligations not to resort to war;

By the prescription of open, just and honourable relations between nations;

By the firm establishment of the understandings of international law as the actual rule of conduct among Governments; and

By the maintenance of justice and scrupulous respect for all treaty obligations in the dealings of organised peoples with one another.

The application of these principles is described in the subsequent twenty-six articles, which govern the actual work of the League.

It is essential for a clear understanding of this new organisation to realise that it is an inter-State society explicitly retaining the principle of national sovereignty and restricting its operations to external affairs. It is not a separate organisation existing apart from and above the States of which it is composed. It is international, not super-national. It does not impose settlements; its chief weapons are the publicity of facts and such force of persuasion as is inherent in all work of mediation. It seeks agreement, in which it may or may not be successful, but failure to accept its decisions or recommendations involves no penalty. The League's penalties are applied only to a breach of faith by resort to war before following lines of procedure designed in the hope of securing settlement without war or by resort to war against a unanimous decision of the League. The League is, in fact, a body of States working together on a common basis, seeking to promote their common interests in one co-operative effort for the purpose of which they have voluntarily agreed beforehand to observe certain rules of conduct, and, in the mutual interest, to limit their freedom of action in certain directions.

As the Members of the League are States, the business of the League is conducted by representatives of Governments which are the State executives. There can be no League initiative except on the proposal of one or more Governments, and no League work can be accomplished except through the Governments. The Governments collectively and individually are the responsible League authorities. It is their instrument to undertake what they decide

it shall undertake. Whatever the League achieves is a result of inter-Governmental agreement and its progress and action extend *par. passu* with those agreements.

It has no magic power to dispel rapidly and easily all the necessarily complicated issues of the world. States, on entering the League, do not by this step relinquish their national aims and interests, and these aims and interests may just as easily clash with those of other States when problems are dealt with through the League as when they are dealt with outside it. The League is a method of facilitating settlements, and where it differs from what has hitherto existed is that, by the Covenant, inter-State dealings are organised under a written constitution, with permanent machinery, with settled though not rigid rules of procedure for various eventualities, and with definite obligations. This gives order, regularity and continuity to the study and solution of international problems and makes collaboration easier and more customary. The advantages can only be considered in a general analysis of the terms and character of the Covenant and of the organisation and procedure of the League, though apart from the Covenant there is a great variety of treaties and conventions with provisions for reference of specific matters to the League. In this and other ways the League system, with its complete set of organs for political, judicial, economic and other questions, is rooted in the life of the world to-day.

Chapter I. — THE MEMBERS OF THE LEAGUE

The States qualified as original Members were the Allied and Associated Powers, signatories to the Treaty of Peace, and invitations to accede (also as original Members) to the Covenant were extended to the Thirteen States which

remained neutral during the war. Of the signatories of the Versailles Treaty or other treaties including the Covenant, all which were entitled to original membership, with the exception of the United States of America, Ecuador and the Hedjaz, became Members by the ratification of one or other of these treaties. The thirteen neutral States invited to join all accepted, and by March 10th, 1920, the membership was forty-two. Since then, twelve additional States have been admitted, including three which took part in the war on the side of the Central European Powers. The total number of States in the League is now fifty-four (1), though for various reasons the Argentine Republic and one or two Central and South American States have not regularly participated in League work. At the same time, they retain their membership.

The League has frequently invited and secured the collaboration of non-Members.

Chapter II. — THE COVENANT CONSIDERED

CONDITIONS OF ADMISSION AND WITHDRAWAL

The consideration of the terms of the Covenant may be taken under one or two broad divisions. First of all, membership is limited only to this extent, namely, to any fully self-governing State, Dominion or Colony, provided it gives effective guarantees of its sincere intention to observe its international obligations, accepts such regulations as may be prescribed by the League in regard to its armed forces,

(1) See Annex I.

and secures the consent of two-thirds of the Members : that is to say, there is no restriction concerning the political character of any State, provided it is self-governing. The political tendencies of this or any other international body naturally follow the direction of the prevailing political tendencies of the Members, and as national Governments reflect the political and economic ideas of the majority of electors, so the League will reflect the political and economic ideas of the majority of States.

A State wishing to join lodges an application with the Secretary-General, who automatically places it on the agenda of the next Assembly.

Any Member of the League may, after two years notice of its intention to do so, withdraw from the League, provided that all its international obligations and all its obligations under the Covenant have been fulfilled at the time of its withdrawal. A State may be expelled from the League for breach of the Covenant.

THE ORGANS OF THE LEAGUE

The main constitutional organs of the League are :

The Assembly;

The Council;

The Permanent Secretariat.

It has two essential wings in :

The Permanent Court of International Justice; and

The International Labour Organisation.

The Covenant also implies the establishment of auxiliary bodies for various questions of a more or less technical kind.

The relations between the Assembly and the Council are not explicitly defined, and their competence, with a few

exceptions, is much the same. Each body may deal with any matter within the sphere of action of the League or affecting the peace of the world. Particular questions or tasks may be referred either to the Council or to the Assembly, and reference may be passed on from one body to the other. The framers of the Covenant left the relations purposely elastic for reasons of convenience, and each body possesses a large degree of independent authority. At the same time, they are not precisely separate or independent bodies, as all the Members of the Council are also Members of the Assembly, and the Secretariat is a further link between the two. The First Assembly, which had some of these points under review, adopted one or two guiding principles. It declared that neither body had jurisdiction to render a decision in a matter which had been expressly committed to the other organ of the League, but either body might discuss and investigate any matters within the general competence of the League. It also decided that each year the Council should present to the Assembly an account of its work.

Unanimity Rule and Exceptions. — Decisions of the Assembly and the Council, except in matters of procedure and in some other specific cases, such as the admission of new Members, must be unanimous. Important facts in this connection are the provision that in cases of dispute the consent of the parties to the dispute is not required for unanimity, and that where reference of a dispute is made to the Assembly a decision requires the consent of the majority only of the Assembly, but including all the Members of the Council. By an amendment to the Covenant, passed but not yet in force, the same condition applies to amendments to the Covenant. This general regulation concerning unanimity is, of course, the recognition of national sovereignty. The League seeks solution by consent and not by dictation. Sovereign States are not ready to be bound by majority decisions of other States, and, in essence, international

action, whether in League meetings or in non-League Conferences such as the Peace Conference or those held at Washington and Genoa, is the result of compromise. So many conflicting customs and tendencies of a legitimate kind have to be taken account of that, with or without the unanimity rule, the practical necessity for unanimity would still exist. Otherwise State action as part of some general international plan could scarcely be secured. It is, in fact, the expression of the necessity for agreement as distinct from the delivery of judgments, but it is modified by two facts : first, in disputes the votes of the contesting parties do not count; second, a resolution carried by majority, and not unanimously, becomes a recommendation upon which any States Members are severally entitled to act. It is, however, a fundamental consideration that, apart from the power of collective persuasion exercised by mediation, publicity and delay, no penal action can be taken, even in the case of unanimity, against States refusing to agree to a decision, unless one or other of them goes to war against the terms of a decision taken unanimously. In matters not arising from disputes, the votes of the interested parties are included and these comprise also the votes of any non-Member of the Council sitting temporarily for the discussion of a particular question in which it is interested, so that the interests of Powers not ordinarily represented on the Council are constitutionally safeguarded. Resort to war in certain circumstances is a penal offence; failure to accept a solution is not.

The Assembly. — The Assembly consists of representatives of all the Members of the League and meets annually in September. It may also meet at such times as the Assembly at a previous meeting, or the Council, by a majority vote, decides. A special session of the Assembly may be summoned at the request of a Member, provided a majority of the Members concur. Each delegation is composed of not more

than three members, but commands one vote only. The special functions of the Assembly include the admission of new Members, the periodical election of non-permanent Members of the Council, the election with the Council of the Judges of the Permanent Court, and the control of the budget. It may also, from time to time, advise the reconsideration by Members of the League of treaties which have become inapplicable, or the consideration of international conditions whose continuance might endanger the peace of the world. In practice, the Assembly has become the general directing force of League activities; it reviews the work of the past and indicates the lines of progress in the future. So large a body is not a practical one for ordinary detailed international work or for special emergencies. It is partly for this reason and partly to give a certain balance of representation in relation to the organised political power of the world, that the Covenant provides for the Council, which does most of the detailed work.

Assembly Procedure. — The sessions of the Assembly are summoned by the President *ad interim* of the Council acting through the Secretary-General, and the summons is addressed to Members not less than four months before the opening of the session, except in special circumstances, where the Council, by a majority, may sanction a shorter period. The agenda of a general session includes a report on the work of the Council since the last session of the Assembly, on the work of the Secretariat, and on the measures taken to execute the decisions of the preceding Assembly; all items whose inclusion has been ordered by the Assembly at a previous session; any items proposed by the Council or by a Member of the League; and the budget. There are arrangements for placing additional items on the agenda by the Assembly itself. The delegations may include substitute representatives who may take the place of representatives in case of need, and the same applies to technical advisers at Assembly Committees.

The Assembly opens under the temporary presidency of the acting President of the Council. Its first business is the election of its President and six Vice-Presidents. They, with the Chairmen of the main Committees of the Assembly who become *ex-officio* Vice-Presidents of the Assembly, form the General Committee for the conduct of the business of the Assembly. These elections, as far as possible, have regard to the main groupings of international life, so that the various forms of civilisation and the various political interests may have their representation.

The actual work of the session begins with the discussion of the report on the work of the Council and the action taken on the decisions of the preceding Assembly, and after this general debate the Assembly divides its work amongst six general committees, which in themselves are small Assemblies, as every State has one representative on each of them. These Committees deal with different groups of subjects as follows :

1. Constitutional and Legal Questions.
2. Work of the Technical Organisation.
3. Disarmament.
4. Budget and Questions of Internal Administration.
5. Social Questions.
6. Political Questions.

The Committees consider all the reports presented to the Assembly by various League bodies and make final recommendations to the Assembly, a general account of the discussions and conclusions being made to the Assembly by a Rapporteur appointed by each Committee. The plenary Assembly affords an opportunity for a final debate on any point still at issue, and it takes the final vote.

The official languages are English and French, and speeches delivered in one are interpreted into the other. A third language may be used, but in this case the speaker

is responsible for providing the interpretation into English or French.

The whole of the work of the Assembly both in the Committees and in the plenary sessions is open to the Press and to as many of the general public as can be accommodated. The Assembly may decide that particular meetings shall be private, but this right has never been exercised.

The Council. — The Council, which consists to-day of our permanent and six non-permanent Members (1), was originally to consist of five permanent Members, namely the Principal Allied and Associated Powers, and four non-permanent Members elected from time to time by the Assembly. The failure of the United States of America to ratify the Versailles Treaty reduced the permanent members to four. On the other hand, the Assembly and the Council have since increased the non-permanent members to six as permitted by the Covenant; it is similarly permissible to increase the number of permanent members. Each Power has one representative and one vote. Any Member of the League not represented on the Council is invited to sit as a full member during the consideration of any matters especially affecting its interests. The Council is to meet as occasion may require and at least once a year. In practice, it has met about four or five times annually, and it is summoned immediately in cases of emergency. In the latter event, it is the Secretary-General who is charged with the duty of summoning a meeting forthwith at the request of any Member of the League.

Certain special functions are attributed to the Council, such as the supervision of the mandates system, and the preparation of plans for the limitation of armaments; the Peace Treaties entrusted it with other duties concerning

(1) See Annex II.

the government of the Saar Territory and of the Free City of Danzig, and minorities. All the work of the Council in these and any other connections is subject to discussion by the Assembly.

Council Procedure. — The Council is convened by the President acting through the Secretary-General and appoints a Rapporteur for each subject on the agenda. The Presidency changes at each session according to alphabetical rotation (in French by countries). The Council meets either in private or in public according to circumstances, but the proportion of its public meetings is steadily increasing and wherever possible public meetings are now the order of the day. All the minutes of Council proceedings, whether taken in private or in public, are subsequently printed and published.

The Permanent Secretariat. — The Permanent Secretariat, established at the seat of the League at Geneva, comprises a body of experts in various spheres under the direction of Sir Eric Drummond, whose name is included in the Annex to the Covenant as the first Secretary-General. The members of the Secretariat are appointed by the Secretary-General with the approval of the Council and at present include representatives of over thirty different nationalities. There is a Deputy Secretary-General and there are two Under Secretaries-General; the rest of the Secretariat is divided into Sections according to subjects, not according to nationality, and each section forms the secretariat of organisations dealing with its particular subject. The principal Sections are under the control of a Director, and there are some others under the control of a *chef de service*. Under these officials are the members of the Secretariat, who are divided into two classes according to seniority and responsibility, and the rest of the Secretariat is composed mainly of the subordinate staff for typing, shorthand, and other cognate duties. The total number of officials classed as

members is 75, and the total staff, including all the clerical services, comprises about 400 persons.

The Secretariat is in the common service of all the Members of the League and undertakes, for the purposes of League work, services similar to those undertaken by civil servants in national administrations, though all comparisons between the organisations of the League and those of national institutions can only be made in rough terms. The principal Sections of the Secretariat are :

Political;

Financial and Economic;

Transit-

Minorities and Administration (Saar Territory and Danzig);

Mandates;

Disarmament;

Health;

Social (Opium and Traffic in Women and Children);

Intellectual Co-operation and International Bureaux;

Legal; and

Information.

The Secretariat also includes a Latin-American Bureau established by a decision of the third Assembly in order to facilitate and to strengthen relations between the Secretariat and the American countries.

There are other services, such as the financial administration of the League itself, internal administration, translation and interpretation, précis-writing, publications, registry, library, distribution, central typing and shorthand services, etc.

Each Section is responsible for all the official secretarial work connected with its particular subject and prepares

and organises all meetings and conferences held in that connection. The general Secretariat is responsible for the organisation of all Council and Assembly meetings, and its duties involve the preparation and publication of all League documents in the two official languages, and the preparation and issue of all League proceedings and all data and statistics according to instructions.

The higher officials hold office for seven years; members of both classes are appointed for twenty-one years subject to review of their appointments at the end of each period of seven years; the subordinate staff holds office for twenty-eight years, also subject to review at the end of each seven years. The appointments, conditions of service, and financial administration are subject to rigid control set up by the Assembly.

The Permanent Court of International Justice. — The Permanent Court of International Justice was provided for by the Covenant but not established by it. Its constitution was the work of the Council and the Assembly, its judges are elected by the Council and the Assembly, and its budget is provided by the Assembly. Roughly, it possesses internationally the same kind of relation to the League as courts of law bear nationally to State legislatures. The Council first of all appointed a committee of eminent jurists to prepare a draft scheme which, after close examination and some modification by the Council and Assembly, was finally adopted as the Court Statute. The judges were elected in September 1921, and the Court began its work in June 1922.

The Court is competent to hear and to determine any dispute of an international character which the parties concerned submit to it, and it may give an advisory opinion upon any dispute or question referred to it by the Council or the Assembly. The Council or the Assembly may also;

with the consent of the parties concerned, refer disputes to it for judicial decision.

Questions of fact as well as questions of law may be submitted. The Court is open to all the nations of the world under certain broad conditions. For the reference of a case for judicial decision, the consent of the parties concerned is essential. One State cannot cite another State before the Court except : (1) under treaty terms by which the Signatory Powers have agreed to automatic reference of certain kinds of differences to the Court, and (2) under what is known as the optional clause in the Protocol of Signature of the Statute. By this clause, any States which sign it recognise as compulsory, *ipso facto* and without special agreement in relation to any other State accepting the same obligation, the jurisdiction of the Court in any legal disputes concerning :

- (1) The interpretation of a Treaty;
- (2) Any question of International Law;
- (3) The existence of any fact which, if established, would constitute a breach of international obligations;
- (4) The nature or extent of the reparation to be made for the breach of an international obligation.

This clause is now in force between fifteen States and, juridically speaking, is equivalent to a compulsory treaty of arbitration between all these States. The treaties and conventions affecting the compulsory jurisdiction of the Court extend over a very wide field.

The Court is composed of eleven judges and four deputy-judges, elected for nine years. The nominations are made by the national groups of the Permanent Court of Arbitration, or in the case of Members of the League which are not represented in the Court of Arbitration, by similar groups formed for that purpose. The Council and the Assembly vote separately, and those candidates who secure an absolute

majority in both the Council and the Assembly are declared elected. Further elections follow to fill any remaining vacancies on the same conditions, and various provisions are made to avoid a deadlock, including finally, the power of the already elected judges to co-opt.

This system overcomes the obstacles which have hitherto prevented the creation of such a permanent international Bench.

The law to be applied by the Court is :

- (1) International Conventions establishing rules expressly recognised by the contesting States;
- (2) International custom as evidence of a general practice accepted as law;
- (3) The general principles of law recognised by civilised States;
- (4) Subject to certain provisions, judicial decisions and the teachings of the most highly-qualified publicists on international law.

The Court, whose seat is at The Hague appoints its own Registrar and staff.

The International Labour Organisation. — Although the Members of the League accept by Article 23 of the Covenant an obligation to endeavour to secure and to maintain fair and humane conditions of labour, the Labour Organisation, which comes within the general scheme of the League, is based, not on the Covenant, but on Part XIII of the Treaty of Versailles, which lays down a series of principles governing labour conditions. The International Labour Organisation, although all the States Members of the League are members of it and although the budget is subject to the control of the League Assembly, is an autonomous organisation with its own Governing Body, its own General Conference, and its own Secretariat, and its constitution is somewhat different.

from that of the League, representation being accorded not only to Governments but to representatives of employers and workers' organisations. According to the Constitution of the Organisation, the Governments undertake to place before their Parliaments all conventions passed.

PROVISIONS FOR PRESERVATION OF PEACE

The provisions of the Covenant aimed at the preservation of peace include :

Limitation of armaments, etc.

Guarantees against aggression.

Recognition that any threat to peace is of international concern.

Agreement not to resort to war before settlement has been tried by peaceful procedure.

Methods of securing peaceful settlement.

Penalties for resort to war in specified circumstances, etc.

They may be taken under the following heads :

1. *Limitation of Armaments.* — An obligation is imposed upon the Council to formulate plans for the limitation of armaments to the lowest point consistent with national safety and to submit them to the consideration of the Governments. Once having accepted any such plan, States agree not to exceed them without the concurrence of the Council. There are also obligations to deal with various effects arising from the private manufacture of munitions, trade and traffic in munitions, etc., and members agree to interchange information on the scale of their armaments.

2. *Guarantees against Aggression.* — These are contained in Article 10, by which Members undertake to respect and to preserve against external aggression the territorial inte-

grity and existing political independence of all Members of the League. It is for the Council to advise how this obligation shall be fulfilled when the occasion arises.

Article 10 must be considered in conjunction with Articles 11 and 19. Article 11 declares war or threat of war to be the concern of the whole League and every Member has the friendly right to call the attention of the League to any circumstance threatening peace or the good understanding of nations. Article 19 provides the Assembly with the possibility of reconsidering treaties that have become inapplicable, and of considering international conditions whose continuance might endanger peace. Taken together, these three Articles show that Article 10 is not necessarily meant to perpetuate existing territorial conditions for all time, as the Covenant provides means for dealing peacefully with new conditions as they may arise. There has been considerable discussion at all Assembly meetings about the exact interpretation of Article 10. At the Fourth Assembly, as a result of points raised by Canada, an effort was made to obtain an interpretative resolution which stated :

" It is in conformity with the spirit of Article 10 that, in the event of the Council considering it to be its duty to recommend the application of military measures in consequence of an aggression or danger or threat of aggression, the Council shall be bound to take account, more particularly, of the geographical situation and of the special conditions of each State.

" It is for the constitutional authorities of each Member to decide, in reference to the obligation of observing the independence and the integrity of the territory of Members, in what degree the Member is bound to assure the execution of this obligation by employment of its military forces;

" The recommendation made by the Council shall be regarded as being of the highest importance, and

shall be taken into consideration by all the Members of the League with the desire to execute their engagements in good faith."

One State—Persia—voted against it and thirteen States abstained from voting. Abstentions do not prevent unanimity, but the resolution was not adopted on account of Persia's vote. The President announced, however, that, in accordance with precedent, he would not declare the motion rejected as it could not be argued that the Assembly in voting as it had done had pronounced in favour of the converse interpretation. It may therefore be assumed that, in any question arising under Article 10, the Council and the Members of the League generally will have in mind the terms of this discussion.

Another factor bearing on Article 10, as well as on several other Articles of the Covenant, is the Draft Treaty of Mutual Assistance designed to provide such a degree of security as will permit the limitation of armaments. This still remains a draft, however, and by the decision of the 1923 Assembly, has been circulated to the Governments for their views before further steps are taken.

3. *The Machinery of Peaceful Settlement.* — The Members of the League agree not to go to war before submission of disputes to arbitration, to judicial settlement, or to the Council. They agree in no case to resort to war until three months after the award, decision, or report by the Council. When cases are submitted to arbitration or judicial settlement, the States agree to carry out the awards in full good faith. If any dispute likely to lead to rupture is not submitted to arbitration or judicial settlement, it must be submitted to the Council, whose first duty is to endeavour to effect a settlement. If it fails to do so, it issues a report either unanimously (not counting the votes of the parties) or by majority vote, giving what it considers to be appropriate terms of settlement. If its decision is unanimous, any State going

to war in defiance of the decision commits an act of war against all the Members of the League, which undertake in such circumstances to break off relations with the offending State and to subject it to blockade. If the decision is not unanimous, the Members of the League "reserve to themselves the right to take such action as they shall consider necessary for the maintenance of right and justice". War is therefore only contemplated as possible when unanimity is lacking, or, if the matter is referred to the Assembly, when the necessary majority of the States in the Assembly (including all the Members of the Council) is not obtained. There is no definite provision for giving practical effect to a unanimous decision. Penalties apply only to breaches of the Covenant involving resort to war and not to failure to accept decisions. Any State violating the Covenant may be expelled from the League.

The sequence of procedure for disputes is :

- (1) Direct negotiations by ordinary diplomatic channels;
- (2) Arbitration or judicial settlement;
- (3) Reference to the Council or the Assembly.

The Council may on its own account obtain from the Permanent Court of International Justice advisory opinions on legal points, or may, with the consent of the parties, refer the case to the Court for settlement. The Council may also refer a dispute to the Assembly.

4. *Disputes with Non-Members.* — In a dispute between a Member and a non-Member, the latter is invited to become a Member for the purposes of the dispute on conditions laid down by the Council. If it refuses, the Council takes such action as seems most effectual. If it refuses and also goes to war against a Member, the League penalties become applicable. When a dispute arising between non-Members is brought before the League, the parties are invited in the

same way to accept membership; and if they refuse, the Council does what it thinks best to prevent war.

5. *Domestic Jurisdiction.* — The League is excluded from any intervention in a dispute if one of the parties claims, and the Council decides, that the dispute arises out of a matter which by international law is solely within the domestic jurisdiction of that party.

6. *Treaties and Understandings.* — Other Articles provide for the registration and publication of treaties (which, without such registration and publication, are not binding), and Members engage themselves not to enter into any obligations inconsistent with the terms of the Covenant and to abrogate any such existing obligations. The validity of regional understandings for the maintenance of peace is acknowledged.

With regard to the registration and publication of treaties, a register is kept at the Secretariat in which all treaties so communicated are entered, and they are then printed in a *Treaty Series* in the two official languages as well as in the original languages of the treaties themselves. Over 500 treaties have been registered by Members and non-Members of the League.

7. *Other Peace Functions.* — The League supervises, with the assistance of a Permanent Commission, the operation of the new system whereby certain States exercise Mandates on behalf of the League and in its name over former German and Turkish possessions, whose peoples are not yet able to govern themselves. These Mandates are exercised as "a sacred trust of civilisation". Annual reports are rendered to the League by the Mandatory Powers, the original terms of the Mandates, containing a variety of safeguards, having been first approved by the Council.

The Members of the League undertake to endeavour to secure and to maintain fair and humane conditions of labour,

just treatment of native inhabitants in territories under their control, freedom of communications and transit, and equitable treatment of commerce; to take steps in matters of international concern for the prevention and control of disease; and to entrust the League with the general supervision over the execution of agreements in regard to the traffic in women and children, the traffic in opium and other dangerous drugs, and the trade in arms and munitions in which the control of this traffic is necessary in the common interest. International bureaux already established by general treaties may, if desired by the parties, be placed under the League, and all such bureaux constituted in the future are to come under the direction of the League.

The Peace Treaties conferred upon the Council of the League various duties including the supervision of the government of the Saar Basin and the appointment of the members of the Saar Basin Governing Commission.

It appoints a High Commissioner of the League of Nations in the Free City of Danzig, which is placed under the protection of the League with a constitution guaranteed by the League.

It also has responsibilities in regard to various treaties concluded after the war for the protection of racial, religious, and linguistic minorities.

8. *Amendments to the Covenant.* — A number of amendments have been adopted by the Assembly but none has yet received the necessary number of ratifications, namely, by all the States Members of the Council and by a majority of the States in the Assembly. With a few exceptions, they are confined to simplifying procedure where the Covenant has left conditions to some extent unprovided for, and they do not make any fundamental change.

Chapter III. — ORGANISATIONS ARISING FROM THE COVENANT

The Covenant left a wide discretion to the Council and the Assembly in constituting the Permanent Court of International Justice and the auxiliary organs foreshadowed in general terms. The establishment of these organisations has been a considerable creative effort marking an important stage in the evolution of inter-State association. In this work the League has preserved and incorporated what has proved useful in methods hitherto existing. The creation of the Permanent Court of International Justice, for instance, has not ruled out the employment or the usefulness of the previously existing Permanent Court of Arbitration. The Court of Justice fulfils a new role, but here, as throughout the whole League system, the greater does not necessarily exclude the less. If two States prefer not to submit to the judgment of a permanent bench of judges internationally elected, they can still make use of the more elastic provisions of the Court of Arbitration, where they may elect their own arbitrators and draw up their own rules. Every reasonable method of settlement by peaceful means is preserved—by direct diplomatic negotiations, by arbitration, by judicial decision, or by the mediation of the Council or Assembly,—but always within the principles outlined in the Covenant. In its operations the League uses all possible representative international agencies and frequently invites the co-operation of representative unofficial agencies. In such circumstances, the final decisions and the final action rest always with the Governments. There is left to the Members of the League, therefore, a variety of choice in the methods of settling their difficulties and differences.

Character of the Auxiliary Organisations.

The many tasks devolving upon the League necessitated the creation of various auxiliary bodies which are of two kinds, namely :

Technical organisations, dealing with finance and economics, transit, and health; and

Advisory committees dealing with military questions, disarmament, mandates, traffic in women and children, opium and intellectual co-operation.

In addition to these two sets of bodies, there are from time to time various special committees for different subjects.

The technical organisations have been provided with enough independence and flexibility to make them effectively useful, yet they remain under the general control of the Council and the Assembly. They are modelled in principle on the League as a whole; that is to say, they consist of a standing committee, loosely corresponding to the Council, a general conference of Government representatives corresponding to the Assembly, and a secretariat which forms a section of the Secretariat-General of the League under the control of the Secretary-General.

The advisory committees are composed of members sometimes elected by the Council for their individual competence on any given subject and sometimes by the Governments officially, as expert committees to assist the Council and the Assembly in particular directions.

The special committees have included Commissions of Control to watch over matters like the execution of frontier decisions (including the withdrawal of armed forces, etc.), Commissariats for the Repatriation of Prisoners of War and for Russian Refugees, Jurists' Committees for the study

of proposed amendments to or interpretations of the Covenant, or for assisting the Council in juridical matters which it does not consider necessary to refer to the Permanent Court, Commissions such as that dealing with the protection of women and children in the Near East, and numerous Commissions of Enquiry preliminary to final consideration by the Council or Assembly.

Of the three technical organisations, those of Transit and Health are complete, but the Financial and Economic Organisation, which has been associated with some of the most important features of League work, such as the Austrian reconstruction scheme, is still somewhat provisional in character.

There are two general features about these technical organisations and some of the advisory committees: one is that they are steadily building up new international law by a series of conventions, and the other that many of them have secured the collaboration of non-member States, including the United States of America, Germany and Russia.

Their character, however, is by no means rigid. The Transit Organisation, for example, with its standing committee of experts which prepares draft conventions or other matters in the programme of work for final consideration of the general conference of Government representatives, at the same time advises the Council in the discharge of transit duties imposed upon it by several Articles of the Treaty of Versailles. Similarly, the Financial and Economic Organisation organises general conferences, such as the Customs Formalities Conference held in October 1923. The Committee on Opium and other Dangerous Drugs, which is an advisory body, will organise two conferences—one general and one special—to be held in 1924 on various aspects of the opium problem. The members of the standing committees of the technical organisations and of the

advisory bodies, are authorities in the particular subjects and are frequently official Government representatives. On the other hand, the Permanent Mandates Commission is composed of experts in colonial affairs who are precluded altogether from holding any State Office. Again, while the Permanent Advisory Commission on Military, Naval and Air Questions consists entirely of Government representatives, the Temporary Mixed Commission on Armaments is composed of non-Governmental individuals of recognised competence in political, financial, economic, industrial and military affairs.

TECHNICAL ORGANISATIONS

THE FINANCIAL AND ECONOMIC ORGANISATION.

This was set up as a result of the Brussels Financial Conference summoned by the Council in 1920. It is divided into two sections, the Financial Committee and the Economic Committee. Each Section operates independently, but they meet together frequently in plenary session in order to consider matters which are of interest to both. The members are not official representatives of their Governments but are chosen by the Council as experts, and include high Treasury officials, directors of great private banks, banking associations or banks of issue, heads of departments or directors in ministries of commerce in various States, the president of an important co-operative society, a statistician and so on. They all hold commanding positions in their own countries and are competent to reflect currents of opinion in qualified circles. All their recommendations or resolutions are sent to the Council, which takes the final decisions.

It prepares the work of any general conferences such as the Customs Formalities Conference, which the Council

summoned upon its advice, and the secretariat of the Organisation is the Financial and Economic Section of the general Secretariat of the League.

The duties of this organisation cover the whole range of financial and economic matters entrusted to the League, and include problems such as the equitable treatment of commerce.

THE TRANSIT ORGANISATION.

The Transit Organisation which, at the request of the First Assembly, was constituted by the General Conference of Freedom of Communications and Transit convoked by the League at Barcelona in March 1921, comprises :

- (1) an Advisory Committee,
- (2) a General Conference, and
- (3) a Secretariat forming the Transit Section of the General Secretariat of the League.

1. *The Advisory Committee.* -- The Advisory Committee consists of one member nominated by each of the Members of the League permanently represented on the Council and of other members nominated by States Members of the League not so represented on the Council, chosen by the General Conference. This selection has regard, as far as possible, to technical interest and geographical representation. The members of the Committee are not to exceed one-third of the number of Members in the League and they hold office for not less than two years.

Its duties are to consider and to prepare measures to ensure freedom of communications and transit, to assist the League in discharging the functions entrusted to it by the Versailles and other Treaties in the investigation of any disputes, or to endeavour to adjust such disputes by

conciliation. Another of its duties, in addition to preparing the work of the General Conference, is to report on the working of general conventions in practice. The Committee is convened by the Chairman, who is elected by the Committee itself.

2. *The General Conference.* — The General Conference consists of representatives of States Members of the League, each State having one representative accompanied, if necessary, by deputies and experts. Non-Members may be invited by the League to participate, and the Conference itself, by a two-thirds majority, may admit non-Members in an advisory capacity for specific questions. It meets when summoned by the Council, and a two-thirds majority is required for the adoption of proposals on the agenda. These proposals may take the form—subject to Council and Assembly control—of international conventions, recommendations to Governments, or resolutions for submission to the Assembly. The members of the Advisory Committee may attend but may not vote. Limited conferences may be summoned by the Council on the advice of the Advisory Committee for questions of interest only to certain States. The ordinary procedure of the Conference follows much the same lines as the procedure of the Assembly and any subject may be included on the agenda at the request of a Member.

3. Its secretariat is the Transit Section of the General Secretariat.

THE HEALTH ORGANISATION.

The constitution of the League Health Organisation, which until recently was on a provisional basis, was drawn up in close co-operation with the Office international d'Hygiène publique. The Health Organisation comprises

- (1) An Advisory Council,
- (2) A Health Committee and
- (3) A secretariat forming the Health Section of the General Secretariat of the League.

1. *The Advisory Council.* — The Committee of the Office international d'Hygiène publique, whose seat is at Paris, and which retains all its powers, acts as the Advisory Council. Its duty is to consider and to discuss any questions which the Health Committee may think fit to submit to it either on its own initiative or at the request of the Council. The Office international, which is a body of Government representatives meeting every six months, is, by its constitution, specially charged with such tasks as framing international health conventions.

2. *The Health Committee.* — The Health Committee, whose seat is at Geneva, is composed of sixteen members, namely, the Chairman of the Advisory Council, nine members chosen by the Advisory Council, and six members appointed by the Council of the League after consultation with the Health Committee. The Council may, in addition, appoint four extra health assessors, who would be regarded as active members of the Committee. The appointments extend over a period of three years. The Health Committee acts as the advisory body on health questions to the Council and Assembly of the League; holds itself at the disposal of the Council of the League to consider all questions within its competence; and directs the technical work of the Health Section of the League Secretariat. It may carry out enquiries, appoint special sub-committees and attach to them any qualified persons whose assistance it desires.

The Health Committee presents to the Advisory Council an annual report on the work of the League Health Organisation, which is submitted to the Assembly.

The Secretariat. — The Health Section of the general Secretariat of the League acts as the secretariat of the Health Organisation. It is under the guidance of the Health Committee regarding its policy on technical matters but subject to the Secretary-General of the League on all administrative questions.

ADVISORY BODIES.

ARMAMENTS.

There are two advisory commissions on armaments namely :

The Permanent Advisory Commission on Military, Naval and Air Questions, and

The Temporary Mixed Commission on Armaments.

1. The Permanent Advisory Commission, which, under Article 9 of the Covenant, was appointed by the Council in May 1920. It gives expert advice to the Council on military affairs which may arise on questions submitted to the League, and advises the Council on the armaments provisions of the Covenant. It is composed of a naval, a military and an air representative of each of the States represented on the Council and appointed by the Governments, but each State has only one vote. Each of the three branches of the Commission forms a Sub-Committee, and the secretariat consists of three technical officers who act severally as secretaries for the respective Sub-Committees; these officers form part of the Disarmament Section of the General Secretariat under a *chef de service*, whose Section is also responsible for the secretarial work of the Temporary Mixed Commission.

2. The Temporary Mixed Commission was set up by a resolution of the Council on February 25th, 1921, arising

out of a recommendation of the Assembly, and it is still in existence. It was appointed to prepare for submission to the Council reports and proposals for the reduction of armaments, and it is composed of persons of recognised competence in political, social, and economic matters, six members of the Permanent Advisory Commission, and six members of the Governing Body of the International Labour Organisation, three of whom are employers' representatives, and three workers' representatives. It is this Commission which, under the instructions of the Assembly to prepare "a definite scheme for the general reduction of land and air armaments", drew up the Draft Treaty of Mutual Assistance, upon which the Governments have been asked to give their views. It has also suggested a number of steps in other directions of the problem.

MANDATES.

The Permanent Mandates Commission is constituted under Article 22 of the Covenant to receive and to examine the annual reports required from the Mandatories, and to advise the Council on all matters relating to the observance of Mandates. It was appointed by the Council in February 1921 and held its first meeting in October of the same year. It consists of nine members, the majority of whom are nationals of non-Mandatory Powers. They were appointed individually by the Council and, while members of the Commission, they may not hold any office which puts them in a position of direct dependence on their Governments. An expert from the International Labour Office attends in an advisory capacity when labour questions are discussed and any other expert assistance may be obtained when necessary. During the consideration of the reports, representatives of the Powers concerned are invited to offer any

supplementary explanations or information which the Commission may desire. The Commission, to which these reports are forwarded, ultimately transmits them to the Council together with its observations and those of the representatives of the Mandatories. It has been the practice of the Council to forward these observations direct to the Assembly.

OPIMUM AND OTHER DANGEROUS DRUGS.

The Opium Advisory Committee was set up in accordance with a resolution of the First Assembly in 1920. It is composed of one Government representative from China, France, Germany, Great Britain, India, Japan, the Netherlands, Portugal, Kingdom of the Serbs, Croats and Slovenes, Siam, and the United States of America respectively, as countries chiefly concerned; and three assessors are appointed by the Council, one of these being an American. A special delegation from the United States, headed by Senator Porter, attended the meeting of the Committee preceding the 1923 Assembly, and, at the invitation of the Council, was present at the discussions which took place in the Assembly Committee where the proposals which had been advanced were resolved upon and presented to the plenary Assembly. Three months before the beginning of every session of the Assembly, the Committee presents to the Council, for automatic submission to the Assembly, a report on all matters relating to the execution of arrangements in connection with the traffic in opium and other dangerous drugs. It is this Committee which, with the secretariat (forming, as in other cases, a section of the General Secretariat) will be responsible for the preparation and organisation of the two conferences to be summoned in 1924.

TRAFFIC IN WOMEN AND CHILDREN.

The Advisory Committee on the Traffic in Women and Children was organised as the result of a recommendation by a General Conference summoned by the League in June 1921, for the purpose of securing a common understanding between various Governments with a view to future united action. The Governments of Denmark, France, Great Britain, Italy, Japan, Poland, Roumania, Spain and Uruguay appointed their representatives, and the Council appointed as assessors—with all rights of delegates except the right to vote—representatives of :

(a) The International Bureau for the Suppression of the Traffic in Women and Children;

(b) The Women's International Organisations;

(c) The Federation of National Unions for the Protection of Girls;

(d) The International Catholic Association for the Protection of Girls;

(e) The Jewish Association for the Protection of Girls.

On the recommendation of the Advisory Committee at its first session, the Council invited the United States of America to nominate a member, and the Government appointed a representative to sit in an advisory capacity.

INTELLECTUAL CO-OPERATION.

The International Committee on Intellectual Co-operation arose out of a resolution submitted by the Council and adopted by the Second Assembly in 1921. Its function is to examine international questions relating to intellectual co-operation. It was appointed by the Council in May

1922 and includes twelve members of distinction in intellectual life, including an American. The secretariat of this Committee, which is part of the General Secretariat of the League, is also to become in January, 1924 an International University Information Office.

Chapter IV. — THE LEAGUE IN ACTION

Many of the processes in the Covenant have been in action during these first few years of the League with the important exception of the application of penalties. Disputes have come to the League by the direct appeal of the parties concerned and by the exercise of the friendly right of third parties to draw the League's attention to circumstances which may disturb international relations. Disputes have been dealt with between members and non-members; pleas of domestic jurisdiction have been referred to the Permanent Court for advice; unanimous decisions have been reached, in most cases resulting in settlement, in one case resulting in failure to secure settlement, but there has been no instance of resort to war in defiance of a League decision. There have been references from the Council to the Assembly both at the instance of the Council itself and of one or other of the parties to a dispute.

The Court has had a series of requests for advisory opinions, and one case for compulsory jurisdiction arising out of the terms of the Versailles Treaty.³ All the technical and advisory bodies have been actively engaged. The League has collaborated in a number of ways, either by making recommendations on its own initiative or by request, with the Supreme Council of the Allies or with the Ambassadors' Conference on frontier and other questions, with the Reparation

Commission in connection with the League's financial reconstruction work, and in technical directions with the Genoa Conference. In two instances—Albania and Greece—the League has put its organisations at the disposal of countries (at their request) for advice and assistance in matters of internal reconstruction and administration, though this differs only in degree from the work done in Austria. It has secured the co-operation of the Red Cross organisations, the Office international d'Hygiène publique, the International Chamber of Commerce, the Rockefeller Foundation, and five or six international bodies connected with the traffic in women and children. It has, in fact, played the part of an authoritative international body focussing all possible international efforts, and has been able to command the disinterested and voluntary services of a great number of specialists and distinguished men in most walks of life for the detailed study of the problems with which it has been called upon to deal before they have become ripe for the ultimate consideration of the Governmental representatives in the Council and the Assembly.

A Contrast. — Some outstanding examples will be a sufficient indication of how the League works without going into the details of all its methods of procedure or more than is necessary into the substance of the problems. Cases of larger interest are not necessarily the best as types, but the handling of Austria's financial situation is typical in many of its aspects. The main value is the contrast it provides between piecemeal effort and organised co-operation. Austria's financial situation had become desperate; she had received promiscuous aid from Governmental and charitable sources, but this had made no permanent impression, and grave dangers existed of starvation, chaos, perhaps revolution, and of serious international complications. Money had been poured in without any organised effort to see that it was scientifically applied to the fundamental requirements

for recovery, and the problem was ultimately passed on to the League by the Principal Allied Powers with a notification that there could be no further Governmental credits. Most of the conditions of success seemed lacking. The Council, however, accepted the task. It was not only a financial and economic, but also a political problem, for it was a vital requisite of any scheme that there should be some guarantee of political stability if any further foreign help was to be forthcoming.

The first step taken by the Council was to invite Austria under the terms of the Covenant, to take her seat as a member of the Council, and also to invite Czechoslovakia to temporary membership of the Council as a State specially interested both financially and politically. It then appointed a Council Committee of five members to investigate the problem and this Committee set to work first of all on an examination of the political factors. It turned to the Financial and Economic Committee of the League and to the experts at the regular disposal of the League for detailed assistance on the technical points involved. The Financial Committee had already sent some of its members to investigate conditions in Austria itself, and was therefore in possession of the general facts of the situation. Within a few weeks, the Committee of the Council had drawn up a set of political conditions, and had adopted as its own a scientific and comprehensive scheme of internal reform, control, and foreign credits, elaborated by the Financial Committee and calculated to secure budget equilibrium in two years. These proposals were presented to the Council, unanimously approved, and put into effect. It was rapid, complete, scientific, concentrated work of a few weeks, and Austria's position to-day, a little over a year after, is completely changed. The guarantees, by internal reforms courageously undertaken by Austria, and by the securities given, have led not only to a return of self-confidence on the part of the Austrians

themselves, but to the over-subscription by the public of the foreign loans required to tide over the period of reform, and raised in various countries, including the United States of America.

Austria is now well on the way to restoration within the allotted two years. The previous efforts lacked organisation and failed. The League effort was that of a complete, organised body working as a team, politically, financially and economically. It has been calculated that, before the League scheme, 75 million pounds sterling was lost one way or another in unsuccessful efforts to help Austria. Under the League's scheme, restoration is virtually assured without the gift of a penny.

The "Friendly Right", and question of sovereignty. — The action taken on the difference between Sweden and Finland regarding the sovereignty of the Aaland Islands has several points of procedure to be noted. The controversy between Sweden and Finland had reached a serious diplomatic stage. The British Government, acting under the friendly right described in Article 11 of the Covenant, brought the dispute—which was one between a Member and a non-Member—to the attention of the League. Finland, who has subsequently joined the League, was invited to accept the obligations of membership for the purposes of the dispute and agreed to do so. The case thus entered into the stage of League mediation. Finland at once raised the point that it was a matter purely within her domestic jurisdiction, and the Council appointed a committee of jurists to give its opinion, the Permanent Court of International Justice not then having been established. The Committee advised that it was a matter of international concern, whereupon the Council appointed a small commission to investigate the circumstances. This Commission visited Sweden, Finland, and the Aaland Islands, and made an exhaustive report. The Council

discussed its terms with the representatives of Sweden and Finland, and also heard the views of the Islanders themselves. It finally secured acceptance of a decision—based on the views of the Commission—attributing the sovereignty of the Islands to Finland, at the same time recognising the interests of the Islanders by a detailed series of guarantees and a large degree of autonomy. This was followed by an International Convention afterwards concluded at Geneva between ten Powers interested in the Baltic, for the neutralisation and demilitarisation of the whole archipelago under the guarantee of the League.

Request for Recommendation. — A third kind of task performed by the League was the recommendation of a settlement of the Upper Silesian problem made to the Principal Allied Powers at their request. The Supreme Council of the Allies, after prolonged negotiations, definitely failed to reach agreement upon the fate of the Province, where conditions had become grave, and at the last moment it requested the League to suggest a solution. The Council, which was bound by the relevant terms of the Versailles Treaty, appointed a committee of its members, namely the representatives of Belgium, Spain, Brazil and China, which States had had no part in the previous negotiations, to draw up the frontier line; the economic experts which assisted it were a Swiss and a Czechoslovak. Within a short time, unanimous agreement was reached in the Council on the terms of a settlement by which the frontier was traced as nearly as possible following the stipulations of the Treaty, and taking account, as far as possible, of the geographical and economic situation of the various districts. At the same time, it drew up a series of transitional measures of an economic nature designed to ensure continuity in the economic life of Upper Silesia after the partition, and to reduce to a minimum the difficulties of the period of adaptation. This solution was immediately accepted by the

Powers and the League was invited to take charge of the subsequent negotiations between Germany and Poland, which resulted in a Convention drawn up at Geneva covering the economic arrangements for the transitional period. These negotiations, at the request of the Council, were directed by a former President of the Swiss Confederation, who first made himself acquainted with the circumstances on the spot.

A Deadlock. — There is no political dispute within the League where such variety of procedure has been followed, without ultimate agreement, as the Polish-Lithuanian dispute. The frontiers of Poland and Lithuania had not been defined after the war and the situation was dangerous, particularly in relation to the Vilna region. It first came before the League on an appeal from Poland, and this was followed by a continuous stream of protests on different points from both States. The League endeavoured through many months to secure agreement, but it had no authority to fix the definite frontier-line of Poland, which was within the competence of the Principal Allied Powers. In order to avoid hostilities, it drew up neutral zones, and provisional lines from time to time; sent a commission of control; endeavoured to organise a plebiscite (and had secured the consent of various Governments to contribute towards an international contingent of 1700 men to keep order for it), which it subsequently had to abandon; tried direct negotiations between the two States under the chairmanship of the Belgian representative on the Council M. Hymans, but without result; and finally adopted a scheme of its own submitted by M. Hymans. Neither party accepted it, and the Council, having apparently exhausted all possible methods within the Covenant, laid the whole case before the Assembly, which assured the Council of its full support and addressed a further appeal to the two peoples to reach an agreement. This was without avail,

and although serious hostilities were avoided, the League was not able to effect an agreement. Eventually, the Ambassadors Conference fixed the frontier line, which was contested by Lithuania.

Minorities. — Another point which should be mentioned is the procedure with regard to minorities. Any violation or danger of violation of the minorities treaties may be brought to the attention of the Council of the League, by any Member of the Council. Petitions by the minorities themselves may be addressed to the League, and, if so, are forwarded to the interested Government for any comments. The petitions, with the Government's comments, are then sent to the Members of the Council, and the President and the representatives of two Members of the Council form a committee to examine such appeals. If any member of this committee, or any other member of the Council, finds that the matter deserves serious attention, it is then placed on the agenda. Arrangements of a somewhat similar kind are in force with regard to petitions concerning mandated territories.

League Methods in Non-Political Affairs. — In non-political directions, where it has not been possible to deal at once with a main general problem, the League method has been to take in hand what seems ripe for possible action at the moment, and to press forward step by step, gradually gathering momentum, towards the heart of the problem. All the ground is first carefully explored and progress attempted where the conditions appear favourable. A concrete case will show how action proceeds. The Third Assembly decided that a general Transit Conference should be held in the autumn of 1923 and voted the money for the purpose. In the programme was the consideration of a European railway convention. The first stage was the collection of information by the officials in the Transit Section of the

Secretariat; the next stage was the constitution of railway experts and of Government railway officials, and an examination of the question from both the theoretical and the practical point of view. A scheme was then drawn up and submitted to the Advisory Committee on Communications and Transit composed entirely of Government officials and representing different phases of transit problems. This Committee prepared a draft convention which was circulated to all the Governments together with a report embodying the facts before the Committee and the Conference. The Governments were thus furnished with a basis for discussion, with all the necessary information, and with time to consider the instructions to be given to their representatives attending the Conference.

The same kind of procedure led up to the Customs Formalities Conference, which was held in October 1923, and this Conference was in itself a part of the much wider problem of the equitable treatment of commerce, which the League is approaching stage by stage.

To take an example of a subject which is in an earlier period of development than the two just referred to, the Economic Committee appointed a small committee of distinguished economists to consider theoretically the problem of double taxation, and after considering its report, the Economic Committee then appointed a committee of various revenue and treasury experts to consider the practical application of the principles outlined by the economists. This committee is still at work, and when its labours are concluded, it will be for the Economic Committee to decide whether the time is ripe to make recommendations to the Council for further action. So in matters of health, opium, traffic in women and children, and in other respects, the policy has been to forge steadily ahead, seizing every opportunity to take the solution of problems a stage further, and not attempting to force the pace unduly. Experience has shown this to be

the surest way of securing practical progress and of developing effective international collaboration.

A Special Conference. — An interesting development of action within the League is to be found in the circumstances attending the European Health Conference held at Warsaw. It arose out of an Assembly resolution which interpreted Article 21 of the Covenant as sanctioning "the conclusion between Members of the League of agreements tending to define or complete engagements contained in the Covenant for the maintenance of peace or promotion of international co-operation." This resolution also declared that such agreements might be negotiated "under the auspices of the League of Nations, for example in special conferences with its assistance." It was the desire of the Polish Government that this Health Conference should be summoned, and after discussion with the Council, the Polish Government, in accordance with this interpretative resolution, itself summoned the Conference, the Council placing at its disposal the services of the Health Organisation and of the League Secretariat, which undertook the preparatory work and organisation. But the Conference itself,—which included the European Members of the League, as well as Germany, Soviet Russia, Soviet Ukraine and Hungary (which at that time was not a Member of the League)—was independent in character, though, in fact, it entrusted the carrying out of its decisions to the League Health Organisation, with the proviso that the Committee should include members of all Powers chiefly interested.

Chapter V. — THE FINANCES OF THE LEAGUE

The League of Nations is maintained financially by the Member States, and the share of expenses is allocated between them on a carefully adjusted basis aimed at distributing the shares in accordance with relative wealth and capacity. The annual budget is under the final control of the Assembly, and all the financial arrangements and estimates are subject to rigid and detailed control at different stages throughout the year.

The total authorised League budgets for the four years 1921, 1922, 1923 and 1924 give an average of 22,757,762 gold francs a year, equivalent to 4,391,187 American dollars or about £902,370 sterling at par. If capital expenditure and working capital are excluded, the average authorised budget for current expenses comes to approximately 20,300,000 gold francs, which is slightly less than 4,000,000 American dollars, or £804,916 sterling per annum at par.

This figure covers not only the League of Nations but also the cost of the Permanent Court of International Justice and the International Labour Organisation. The relative average share of the budget in round figures is :

League of Nations : 2,178,445 American dollars
or £448,057 sterling at par.

International Labour Organisation : 1,350,675 American dollars
or £277,577 sterling at par.

Permanent Court of International Justice : 386,000 American dollars
or £79,302 sterling at par.

These totals include the whole expenditure involved in meetings of the Council, the annual Assembly, the technical organisations, advisory committees, sub-committees, etc.; of the meetings of the Governing Body of the Labour Orga-

nisation and the annual Conference; of the cost of the maintenance of the Permanent Court of International Justice, with the salaries of the judges; and of the salaries of the secretariats of all three organisations. In this connection, it is worth while noting that, as the two official languages are English and French, all speeches must be interpreted and translated, and all publications must be issued in these two languages; this necessitates a bigger staff and a larger publication expenditure than would be the case if only one official language were necessary

CONCLUSION

The Governments of the League have thus established the League on a wide basis, and have evolved a smooth-running machinery capable of undertaking the tasks for which the Governments may use it. Its membership has gradually risen, and its work has greatly extended, but, as Viscount Ishii declared in his inaugural address at the Fourth Assembly in September 1923, its progress is necessarily conditioned by the fact that it is not yet universal, and by the fact that some of the vital Peace Treaty conditions have not yet been finally settled. It has had to carry on its work in circumstances which were not anticipated by those who framed its constitution, with the result that there has been some confusion regarding its powers and some disappointment regarding its effect on world conditions. A comprehension of the extent of its authority and the way in which it has functioned in existing conditions is a necessary preliminary to the study of its achievements, which are described in the other pamphlets of this series.

Annex I

STATES MEMBERS OF THE LEAGUE OF NATIONS

ABYSSINIA	FRANCE	PANAMA
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ARGENTINE	GREECE	PERSIA
AUSTRALIA	GUATEMALA	PERU
AUSTRIA	HAITI	POLAND
BELGIUM	HONDURAS	PORTUGAL
BOLIVIA	HUNGARY	ROUMANIA
BRAZIL	INDIA	SAN SALVADOR
BRITISH EMPIRE	IRISH FREE STATE	KINGDOM of the
BULGARIA	ITALY	SERBS, CROATS,
CANADA	JAPAN	and SLOVENES
CHINA	LATVIA	SIAM
CHILE	LIBERIA	SOUTH AFRICA
COLOMBIA	LITHUANIA	SPAIN
COSTA RICA	LUXEMBURG	SWEDEN
CUBA	NETHERLANDS	SWITZERLAND
CZECHOSLOVAKIA	NEW ZEALAND	URUGUAY
DENMARK	NICARAGUA	VENEZUELA
ESTHONIA	NORWAY	

Annex II

STATES MEMBERS OF THE COUNCIL

Permanent :

BRITISH EMPIRE
FRANCE
ITALY
JAPAN

Non-Permanent :

BELGIUM	SPAIN
BRAZIL	SWEDEN
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WORK OF THE FINANCIAL
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ECONOMIC ORGANISATION

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Information Section,
League of Nations Secretariat,
GENEVA.

NOT :

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These pamphlets, which are issued for information purposes, should not be regarded as taking in any way the place of official documents.

March 1924.

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THE FINANCIAL AND ECONOMIC WORK OF THE LEAGUE OF NATIONS

I

INTRODUCTION

The task of the technical organisations included within the framework of the League of Nations is not only to forward all kinds of co-operation between Governments and to act as technical advisors to the Council and the Assembly, but also to give assistance to individual Governments which may desire it. These organisations must therefore take into account many different interests and must be prepared to respond to many different calls. For this reason, the Financial and Economic Organisation of the League was in the first instance set up on a provisional and tentative basis, and has been deliberately kept elastic and adaptable,

Since the war, the world has undergone violent and radical economic changes; wealth and production have been diminished, distribution clogged and interrupted, and economic and financial problems, unprecedented in their gravity, have become more important than most others.

The economic evils which have beset Europe may be summed up in the words uncertainty and instability—conditions which destroy the one healthy incentive to industry, trade and commerce, viz., the reasonable expectation of profit. The years 1919 and 1920 witnessed a prodigious rise in prices which reached a climax in the summer of 1920, a few months before the Brussels Financial Conference. In

the second half of 1920 prices began to fall suddenly in the United States and in Western Europe. The fall has since become less rapid, but many countries have had to face trade crises and unemployment on a scale hitherto unknown. In others internal prices have continued to soar.

Violent fluctuations of exchanges have partly reflected and partly increased the general uncertainty and have sometimes stimulated and sometimes depressed trade; but they have always obscured the prospect of ordered and settled development.

The same uncertainty is noticeable in public finance. Debt, reconstruction and other charges, arising directly or indirectly out of the war, burden the finances of many countries and make it difficult for them to restore the balance of their budgets. The war also created conditions and led to the formation of ideas which, by restricting the free flow of capital and goods, have impeded the production of wealth. The prevailing uncertainty has been heightened by the absence of accurate and impartial information, which the League has endeavoured to provide.

The most serious problem which has arisen immediately out of the war—namely that which concerns reparations and debts between Governments—has not come within the province of the League. It is not necessary, therefore, to treat it here; but, as the President of the Council said in his opening speech to the last Assembly :

“So long as this great unsettled dispute weighs upon the economic life of the world and embarrasses the relations between nations, the work of the League must necessarily be limited and enfeebled. In every sphere of the League’s activity, whether it be discussions on disarmament, or co-operation in the work of peaceful reconstruction, the limits of useful deliberation are narrowed, and the prospects of effective action diminished.”

The foregoing considerations merely touch upon evils of a general nature which no country, belligerent or neutral, in the late war has entirely escaped. When it is remembered that certain countries have been newly created, and others have been profoundly altered by the acquisition or loss of large territories, that there have been far-reaching political and social revolutions, it is not surprising that economic and financial crises should have resulted. Some Governments have appealed to the League for a practical solution of their difficulties, and one country at least—Austria—has reached through the League a practical and, it may be hoped, a permanent settlement.

Even from this short survey of post-war conditions, it will be seen that the circumstances in which the League began its economic and financial work were hardly propitious. It has contributed, however, to the solution of those of the problems in regard to which there has been some opportunity of making progress. In considering its work during the first years of its existence, it is fair to judge not only in the light of the perhaps exaggerated hopes that were formed of it at the Peace Conference, but also in comparison with such attempts at reconstruction on other international lines as have taken place since the war.

THE LEAGUE ORGANISATION :

The Economic and Financial Organisation of the League was created in the first instance in order to give technical advice to the Council. It consists of two Committees, the Financial Committee and the Economic Committee, under the presidency of M. Ador, formerly President of the Swiss Confederation. Each of them usually works independently, but they sometimes meet in plenary session in order to consider problems of common interest.

Each Committee consists of 10 or 12 members—high officials from Treasuries or Ministries of Commerce, directors of great private banks, eminent economists or statisticians—not official representatives of Governments, but chosen by the Council for expert capacity and special knowledge of certain economic or financial matters. The nature and composition of these two Committees are important as an illustration of the League method in the economic and financial sphere. Not being Government representatives they can come to the discussions with minds comparatively free from political influences or exclusive preoccupations with national interests. It is notable that their resolutions and recommendations, based on technical considerations, have almost always been unanimous.

The experience of the last two years has abundantly proved that, when proposals are submitted to Governments, they come with additional force by reason of the fact that the authors are disinterested experts. As examples may be quoted the recommendations of the Financial Committee in connection with the reconstruction of Austria and of Hungary and of the Economic Committee in connection with the Equitable Treatment of Commerce. On the other hand, the members are in touch both with the Governments of the countries from which they are drawn and with business and financial circles.

Their work is unhampered by any rigid rules or constitution. Their number is not permanently limited by any statute. They meet in practice three or four times a year, generally at Geneva but sometimes in other cities, and usually they sit for a week or ten days. But they meet oftener and longer if circumstances require; the session of the Financial Committee which was held in 1922 to discuss the reconstruction of Austria lasted four weeks, and some members of the Committee were in Vienna for another two months in order to set the scheme working.

They are free subject to the Council's approval of general lines of policy and procedure, to conduct their enquiries as they think best and to adapt them to the circumstances of each case. They frequently appoint small sub-committees composed of some of their own members or of specialists drawn from any country in the world.

The secretarial work of these two Committees and their sub-committees is done by the Economic and Financial Section of the permanent Secretariat of the League at Geneva. This section includes an economic intelligence branch which prepares and keeps up-to-date a number of technical publications which are described later.

FUNCTIONS, PROCEDURE AND POLICY.

Functions. — With regard to the functions of the League in the sphere of economics and finance, the Covenant itself contains only one specific reference in Article 23 (e), which runs :

(“Subject to and in accordance with the provisions of international conventions existing or hereafter to be agreed upon, the Members of the League...

“(e) Will make provision to secure and maintain free dom of communications and of transit and equitable treatment for the commerce of all Members of the League. In this connection the special necessities of the regions devastated during the War of 1914-1918 shall be borne in mind.”

But the economic and financial duties of the League *implied* by the Covenant are far wider than this, and arise in relation to each one of the main objects of the League. These objects fall conveniently under three heads :

(a) The provision of a means of settlement of disputes and quarrels without resort to war.

It is clear that many disputes and quarrels arise directly or indirectly out of economic conditions, and the Council or Assembly, in forming their judgment upon such disputes, must have the requisite knowledge and advice. Moreover, the Covenant provides for the use of what has been called "the economic weapon of the League", the boycott of any State which flouts certain of its obligations under the Covenant.

(b) The removal of whatever disturbs the good understanding between nations on which peace depends, that is, the removal of the causes of quarrels and disputes.

It is evident that the range of possibilities opened up in the economic sphere by this general duty is almost unlimited, though it is equally evident that any efforts to eliminate the deep-seated economic causes of war have to be made with the greatest prudence and caution.

(c) The provision of machinery by which (quite apart from questions of peace and war) the nations of the world may mitigate suffering and promote progress by means of international co-operation.

Here again the opportunities which present themselves may be innumerable. The work of the League described in this pamphlet in connection with general post-war problems falls chiefly under this heading. For instance, the object of the Economic Committee in connection with equitable treatment of commerce has in the first place been an improvement in the conditions under which foreign traders work. Similarly the enquiry by the Financial Committee into the evils of Double Taxation and Fiscal Evasion are really an attempt to seek to remove in the only way possible, *i.e.* by international action, a system which is unjust both to the individual taxpayer and to Governments.

The general disorganisation of Europe, in which the League began its work, made the framing of any positive and coherent

policy extremely difficult. From the beginning it was evident that the first requirement was to obtain some general outline of the facts of the situation.

Accordingly, the Council decided to summon in 1920 an International Financial Conference at Brussels, the object of which was not the signing of a treaty or of a protocol, but a general exchange of information and the suggestion of remedies. M. Delacroix, the Belgian Prime Minister, at the opening meeting, aptly declared that without having any belief that the profound economic and financial distress of Europe could be cured by any one panacea, the Conference was in any case to make a diagnosis, and if possible to write a prescription.

It was attended by thirty-nine States, and for the first time since the war, representatives of almost all the Governments of the world, including enemies and neutrals in the late war, were assembled. The Delegations submitted written memoranda on the financial position of their respective countries, supplemented by oral statements; general discussions took place on such subjects as revenue and expenditure, cessation of inflation, central banks of issue, external credits, new credit organisation, export credit organisation, export credit insurance, finishing credits, and a unanimous report was published.

It is, of course, impossible to measure the extent to which the recommendations of the Conference, which in essence represented a body of financial doctrine on which the experts from 39 countries unanimously agreed, have in fact influenced subsequent policy. That body of doctrine, supplemented later by the recommendations of the Genoa Conference, has been in the hands of every Finance Minister in the world. Some have, in fact, succeeded in bringing their national finances more into accordance with the recommendations, others have failed (the extent of the success and failure is shown in a publication of the League—"Brussels Financial

Conference : A Review after 'Two Years').. In the struggles which Finance Ministers have constantly had against the pressure of particular interests and the attractions of immediate advantage to get their finances on to more orthodox lines, they have in many cases been substantially influenced by an appeal to this authoritative and impartial pronouncement.

Another illustration of the value of the Brussels Resolutions is the Austrian Reconstruction Scheme, which, on the side of the financial reform, is really nothing but the practical application of the principles they contained.

But it is not only in the case of Austria, and later in the case of Hungary, that the Conference has influenced the League's economic and financial work. Attention was especially drawn to certain questions, and the report states the unanimous belief of the Conference that "national action is not by itself sufficient. International co-operation, of which the Conference itself is the first effort and example, must continue and develop, and in this the League of Nations must take the initiative"

The activities of the League in pursuit of its duties under the Covenant in the economic sphere have thus been directed especially by the Brussels Conference, later by the Genoa Conference, and from time to time by individual Governments, to certain problems which, in order to distinguish them from the special cases where individual Governments have asked for assistance, are grouped under the heading of "General Problems". Before examining each of these general and special problems in detail, it is necessary in conclusion to say something as to the League policy and procedure.

Policy. — The policy of the Council and—under its direction—of the Economic and Financial Commission, has for two reasons been cautious and tentative. The League is a composite association which must take into account the

wishes and interests of all its members; its business is to discover and to explore such common ground as exists; it has no power to impose a collective will, but only opportunities to elicit general consent; in short it provides not a form of government but a method of co-operation; for while, on the one hand, it may not abandon the idea of progress in every sphere for which it was created, it has to take account of the prevailing tendencies of the Governments of which it is composed. Thus, for instance, it was thought wise to exclude, from the scope of a general conference recently held on Customs Formalities, all questions and all discussions relating to the tariff and commercial policy of States, not only because many Governments would have been hostile to discussion, but because it could have had no practical result, since international agreements are useless unless they are widely accepted and applied.

The second reason why the Council has pursued a cautious policy is that, as has already been pointed out, many of the problems requiring solution are comparatively new, or present themselves under unprecedented general conditions. Thus, for instance, the nature and extent of Double Taxation had never been investigated and no attempt to deal with the question by international co-operation has ever been made. It has therefore been necessary to undertake the most careful enquiries before attempting to find a basis on which an international agreement could conceivably be built.

Procedure. — A procedure has therefore been adopted which provides a number of safeguards. Four stages may be distinguished in it.

(1) The Economic and Financial Commission examines any particular subject which is suggested, *e.g.* by the Brussels Conference, as suitable for the League to pursue, and decides whether, and to what extent, it would be in harmony with general opinion, whether it is likely to find acceptance

among Governments and is likely to lead to a practical result.

(2) If, after this examination, a problem seems to present chances of action, it is then often submitted to committees of specialised experts which elucidate this or that aspect, and which, by reason of their composition, are often intended to provide a kind of test of the opinion in the countries most nearly concerned. The directions in which real progress is possible in the near future are thus explored.

(3) The Economic and Financial Commission, or one of its sub-committees, then proceeds—always under the general direction of the Council—to prepare a programme which is carefully confined within the limits previously determined.

(4) The Council is then recommended to summon a general Conference with the object of drawing up on the basis of the programme submitted to it an international convention.

Governments are, of course, free to sign and to ratify such Conventions or not, as they wish; but the fact that nationals from many of the participating countries have in one way or another been associated in its preparation generally results in a large number of signatures and ratifications.

Even if these four stages are carried to a conclusion, the work of the League is not done; for most of the international Conventions concluded under the auspices of the League contain some provisions: (1) that cases of dispute arising out of the Convention shall be submitted in the first instance with a view to amicable settlement to a technical body of the League for an advisory opinion and (2) that information shall be sent by the Contracting States to the Secretariat at regular intervals as to the way in which the Convention is being executed. Of course, at one or other of the stages described above, several questions, such as the scheme of International Credits, have proved to be impracticable, or, like the treatment of foreign branches of banks raised in 1921,

unripe for international treatment; it has been found necessary to suspend work upon them, merely making recommendations to the various States to adopt certain principles or suggestions; others—Double Taxation for instance—have not advanced beyond the early stages. It does not follow that the action of the League in such cases has proved fruitless. Progress has not yet gone far beyond preliminary attempts at international collaboration; experimental work is not only necessary to meet the needs of each case; it is also of indirect assistance in preparing the way for future success.

It is not possible to indicate the methods of procedure which have been followed by the Council in dealing with special problems, as they vary according to circumstances. But three examples may be given in order to illustrate their variety.

In preparing the scheme for the *reconstruction of Austria*, each of the two Committees contributed a part of the work, in collaboration with other Sections of the League, and under the general direction of a special sub-committee of the Council. The object aimed at was a comprehensive settlement which would have political, financial, economic and legal aspects. The paramount pre-occupation was to restore Austrian credit. From this it followed that there would have to be a control of Austrian finances in order to ensure that a general programme of reforms, resulting in a permanent settlement, would be carried out, and also some form of special guarantee for the potential lenders. On the other hand it was essential that the control should be such as the Austrian Government could reasonably be expected to accept. A careful distribution of powers was therefore necessary. Finally it was decided to institute for the purposes of control a single Commissioner-General, appointed by and responsible to the Council alone, and, in order to ensure his freedom from political influences and from the bias of special interests, not chosen from any of the principal guaranteeing countries.

or from countries bordering on Austria. The need for a special guarantee was, on the other hand, met by the creation of a special "Committee of Control of the Guaranteeing Governments" which were backing the reconstruction loan, with powers carefully limited and adapted to the purpose of the Committee, i.e. the safeguarding of assets assigned for the service of the loan. (A somewhat similar framework has been prepared in the scheme for Hungary.)

The *Greek Refugee problem* was of a different kind. Here it was a question not of reconstructing a whole country but of starting a definite piece of productive work, which should ultimately pay its own way, in order to find employment for refugees by a system of land settlement.

There existed no institution capable of raising the initial credits. This kind of administrative and financial work was not such that the Council could assume immediate responsibility for it. It was decided therefore that, under a protocol signed by the Greek Government, prepared under the auspices of the League and approved by all the members of the Council, a settlement commission should be constituted, consisting of two Greek members, *a representative*—not like the Commissioner-General in the Austrian case, an executive official—of the Council and a fourth member who was to be chairman and have a casting vote, and who, although the appointment was also made by the Council, was to be representative of the Relief Organisations which had been working on the spot. This Commission is not an executive organ of the Council; it is a separate body with legal personality and it will elaborate and carry out the settlement scheme and will endeavour to raise the foreign credits by the issue of a loan secured upon assets placed at its disposal by the Greek Government. Here is a case where the League has lent the assistance of its technical organisations for the construction of a plan and where political questions involved have been settled in the Council. But once the scheme is set up, the

work of the Council consists chiefly of the consideration of periodical reports from its representatives.

An example of a third method for dealing with special cases is the appointment of a *financial adviser to the Albanian Government*. Certain States, for various reasons, do not possess financial, administrative and economic experts with the required experience to enable them to set up an organisation adequate to cope with the needs of the abnormal period through which the world is now passing. The Council of the League of Nations therefore, stated that it was prepared to consider any request addressed to it by States requiring competent technical advisers, and the Council undertook, with the assistance of the Economic and Financial organisation, to discover the technical experts who might best be placed at their disposal. This principle was first applied in the case of Albania. The Adviser is not an official and not even a representative of the League, and his powers are not defined in the form of a protocol or other international instrument, but are fixed by the Government whose service he enters. But having been chosen through the League he is naturally in touch with its technical organisations and can count upon their collaboration.

There are two important pieces of economic work which are associated with the League, but not, strictly speaking, part of the work of the Financial and Economic Organisation—namely, the economic convention which is an essential part of the Upper Silesian settlement, and the administration of the Saar Territory (under the League) from the point of view of its economic prosperity. These matters are described in the political pamphlet and the pamphlet on the Saar and Danzig, and call only for brief reference here. The Silesian settlement is of particular interest, because the conditions of the Versailles Treaty were that the wishes of the inhabitants and economic considerations were both to be taken into account. The solution in principle was to draw

a frontier line based upon the plebiscite, but to prevent disastrous economic effects of immediate partition by the provision of an economic convention to cover a transition period of fifteen years. This Convention was concluded at Geneva by the Poles and Germans themselves, under the chairmanship of a League nominee, but economic experts of the League were engaged for the study of the problems involved and were consulted by both parties from time to time during the course of the negotiations. The practical fruits of this work have been the restoration of order and the resumption of production after many previous months of disorder and economic distress.

The importance of the work done in connection with the financial reconstruction of Austria and of Hungary requires separate consideration, apart from the two classifications—general problems and special problems—into which the rest of this pamphlet is divided.

II

THE FINANCIAL RECONSTRUCTION OF AUSTRIA

“The Assembly notes with great satisfaction the success of the most notable effort of economic reconstruction since the war.”

These were the terms in which the Fourth Assembly of the League of Nations unanimously described the work of financial reconstruction in Austria, carried out under the League's scheme which came into force in October 1922. The resolution in which these terms appeared also emphasised the fact that it was only through a scheme based on international co-operation through the League that this result could have

been obtained—a scheme comprehensive in its scope, worked out in full technical detail by the League's experts, and enforced by control exercised through a high officer of the League. It noted the remarkable effect of re-established confidence and expressed its satisfaction that the technical organisations and the rest of the mechanism of the League had proved sufficiently adaptable and efficient for a task of such magnitude and complexity.

The work, which is the subject of this resolution, has been fully described in a separate pamphlet of this same series. But no account of the economic and financial work of the League would be complete without some reference to it. The following brief sketch—mainly taken from the introduction to the special pamphlet—will serve to give some idea of the extent and significance of the task. The share taken in it by the Financial Committee is by far the most important piece of work which it has done.

Austria, after definitely failing to save herself unaided and after drifting to the edge of chaos and destitution, is being brought back by consistent and effective international action. For three years Austria had been kept precariously alive. She had lived painfully on public and private charity and on the losses of foreigners who had either speculated in the crown or accepted the crown in payment for their goods. Twenty-five million pounds sterling of public money had been lent and become to all appearances an irretrievably bad debt. Some 40 million pounds had been lost by those who had invested in or accepted the crown in payment. Large charitable funds had also been poured in. All this money had been consumed for current needs. There had been no reconstruction. On the contrary, Austria's financial position had become worse than ever; and all these sources of help had come to an end. The springs of public and private charity had dried up. The crown had dropped to one fifteen-thousandth part of its gold value and was still falling

precipitately. It was clear that it could not long continue to be accepted in payment by foreigners. Austria's public expenditure was at least twice her revenue. She was faced with the vital necessity of purchasing large imports of food and raw materials during the autumn and winter—and she had no resources from which to pay for them. There seemed no escape from destitution, starvation, riots, and perhaps revolution, with incalculable foreign complications.

It was in this desperate crisis of her fate that Austria's case finally came before the League. Fortunately, the League had already, before it had the power or authority to act, carefully studied the Austrian position with the aid of an expert commission in Vienna. The Council provided the necessary political authority, the Financial Committee of the League provided the required expert advice, and in five weeks a comprehensive scheme was framed, signed, and launched, with the notable results which prompted the resolution adopted by the Assembly.

The general scheme was comprised in three Protocols, the first dealing with political conditions, and the other two with the arrangements for reform and the raising of loans. Austria was required to carry out reforms including reduction of expenditure, increase of taxation, establishment of a bank of issue, cessation of the issue of paper money, etc., all directed to ensure the balance of her budget by the end of 1924. In the meantime, the excess of her expenditure over the revenue available from normal resources during these two years, estimated at a maximum of 650 million gold crowns, was to be met by the proceeds of loans. These loans were guaranteed not only by the security of the assigned assets but also by foreign Governments, which, however, would be subject to no cash liabilities so long as the assigned assets proved sufficient for the service of the loans.

The scheme included the appointment of a Commissioner-General of the League of Nations, who, in collaboration with

the Austrian Government, was to carry the scheme of reform into effect and supervise its application. There is also a Committee of Control appointed by the guarantor States.

The Austrian Government successfully negotiated in February 1923 an issue of Treasury bonds for one year to the amount of 3 $\frac{1}{2}$ million pounds sterling. All the holders of the short-term loan were granted the option of converting to the long-term loan and the majority made use of this right. The Austrian Government has repaid the bonds which were not converted, so that the whole of the short-term loan has been repaid.

In April 1923 authority was given for the issue of the whole twenty-years loan contemplated under the Protocols. It was a complete success. Based upon the guarantees of nine different Governments, secured further by assets under the control of an international commissioner appointed by the League, employed for a financial scheme of reconstruction in which twelve Governments are actively participating and for which the League as a whole is responsible, raised in at least nine different financial markets (London, New York, Paris, Vienna, Rome, Brussels, Amsterdam, Stockholm and Geneva) in different currencies but upon the same securities, it is unique in the financial operations of the world. Austria, which a year before could not have raised a loan at any rate of interest, was with the League scheme able to raise a loan at a rate of interest slightly lower than the average of the loans at the time of three of the four principal guaranteeing countries.

The contrast between the ways in which the Austrian problem was handled before and after it came to the League is interesting. In the three years after the war, tens of millions sterling of foreign money was lost in Austria, and at the end her financial position was worse than ever. During the subsequent two or three years there is a good prospect that Austria will not only have been kept alive, but will have

been restored and that the cost to foreign countries assisting in the scheme will have been nothing; for, if all continues to go well, Austria's own assets will meet the service of the foreign loans which have been accorded her and the countries guaranteeing the loan will not be called upon. It is the difference between separate, piecemeal assistance given without control or an organised plan and international co-operation comprising complete and comprehensive reconstruction.

THE FINANCIAL RECONSTRUCTION OF HUNGARY

The problem of the financial reconstruction of Hungary came before the League towards the end of 1923. At the beginning of the year, Hungary, in a desire to raise loans on the security of certain of her revenues, had approached the Reparation Commission in order to secure the necessary release of liens on certain of her assets and revenues, and had, at the same time, expressed the desire that the League of Nations should be asked to draw up a plan of financial reconstruction.

On September 29th, 1923, Roumania, the Kingdom of the Serbs, Croats and Slovenes, and Czechoslovakia requested the Council to authorise the League's Financial and Economic Commission to undertake at once and without further authorisation any preparatory work necessary for the reconstruction of Hungary in the event of the Reparation Commission presenting a request to the League along these lines. This the Council decided to do and agreed that all decisions should be taken unanimously, including the representatives of the Little Entente Powers and Hungary.

The Reparation Commission, on October 17th, 1923, invited the League to draw up a plan for the reconstruction

of Hungary and the issue of a loan, it being understood that the possibility of reparation payments should not be excluded.

As in the case of Austria, the Council immediately appointed a special Council Committee, comprised of representatives of France, Great Britain, Italy and Japan, together with the representatives of Czechoslovakia, Serbia, Roumania and Hungary.

This Committee, with the help of the Financial Committee, met in Paris in December and in London in January, and drew up a scheme, contained in two Protocols and a report of the Financial Committee, which was transmitted to the Reparation Commission on January 21st, and the main outlines of which may be summarised as follows:

(1) A bank of issue to be founded with an adviser independent of Government influence and enjoying the monopoly of note issue.

(2) A programme of reform to be drawn up at once and carried out in such a way that budget equilibrium "on a sound and durable basis" shall be reached by June 30th, 1926, so that thereafter current expenses will be met by taxation without recourse to either inflation or loans.

(3) A reconstruction loan of 250 million gold crowns, (about £10,000,000) secured by specific Hungarian revenues (and others if required) to cover the deficit till June 1926, so that inflation may be stopped without waiting until the budget is balanced.

(4) Control, similar to the Austrian control and lasting until the budget is balanced, through a Commissioner-General appointed by and solely responsible to the Council of the League, for the purpose of ensuring the due execution of the whole programme, with the possibility of re-establishment of control by the

Council under circumstances, which are described below.

(5) *All* the external obligations of Hungary under the Treaty (*i.e.* including reparation, armistice deliveries, festitution, armies of occupation) are to be limited for 20 years to a sum giving an annual average of not more than 10 million gold crowns (or about £400,000)

In order that such scheme might be put into effect, it was necessary, first, that the Reparation Commission should take a decision fixing reparation payments for Hungary within the limits proposed (see point 5 above) and enabling Hungary to give her assets as security for the loan by raising the first charge which rests upon all the assets and revenues of Hungary in favour of reparation, and secondly, that certain negotiations which did not fall within the scope of the League should be completed between Hungary and her neighbours, and between the Succession States of the old Austrian Empire and the Principal Allies.

These were successfully concluded, all the protocols were subsequently signed, and the plan is now in operation.

It is interesting to note in what respects the Hungarian problem and its solution have differed from the Austrian case.

(1) In the first place, the Hungarian scheme does not rely upon the guarantees of other Governments. The Financial Committee considered that such guarantees should not be necessary, for the following reasons : For Austria they were necessary because by September 1922 Austria's financial position (combined with her dependence upon imported food and raw materials) was such as to present a real risk of social disorder developing to a point at which it would destroy the value of any securities she could offer. Moreover, the efficacy of League control was untried and unknown; and the

recuperative power of a country when given the support of currency reform was equally a matter of conjecture. The position of Hungary to-day is very different. Her budget is by no means in so desperate a condition. The disorganisation of her economic life measured by the depreciation of the currency is considerably less; her natural resources (particularly her self-sufficiency in food) afford a more solid basis. Above all, perhaps, there are the proved results of the Austrian experience—the astonishing increase both in the value of the assigned revenues and the general economic and financial recovery that have resulted from stabilisation and control.

(2) The most notable difference, however, is that, in the case of Hungary, provision has been made for reparation payment. In the case of Austria this was not necessary as the Powers chiefly interested in reparation had agreed to a postponement of all their reparation demands for 20 years.

In the case of Hungary they were not prepared to make such a postponement, owing to the comparatively favourable financial and economic condition of the country.

The amount to which reparation payments have been limited for so long a period as 20 years corresponds to a charge of a little more than 1/- per annum per head of population. It is also important to understand the principle on which what may be called "reconstruction interests" and "reparation interests" have been worked in together :

A scheme of budget reform will immediately be drawn up and agreed between the financial representatives of the League and the Hungarian Government which is designed to end, within two years, with a permanent budget *containing on its expenditure side both the payment of interest on the reconstruction loan and the payment of reparation.* Thus the interests of those who have lent money in order to reconstruct the country and the interests of those to whom money is

owed in respect of reparation coincide in the pre-occupation to maintain in Hungary a sound and balanced budget. If the budget *so defined* becomes endangered, *i.e.* if either the "reconstruction" interest is threatened or the "reparation" payments are suspended, control will be re-established.

(3) Finally, it should be noted that the financial settlement of Hungary has had to encounter political difficulties, and will entail political benefits. The external political difficulties have been greater than in the case of Austria and have rendered difficult the relations with neighboring countries since the Treaty of Trianon.

An attempt has been made to solve these political difficulties by a protocol under which Hungary again acknowledges the Treaty of Trianon, including of course the boundaries thereby drawn, and in particular agrees to carry out the military clauses. Among the financial clauses of the scheme it has also been provided that the League control shall be used in order to keep the military expenditure of Hungary within the limits laid down in accordance with the Treaty by the competent military authorities.

Secondly, the initiation of the scheme has been the occasion for settling a number of questions which had embarrassed the relations between Hungary and her neighbours since the disruption of the former Empire. Its successful prosecution will develop, and, it may be hoped, permanently establish in that part of Central Europe a friendly political atmosphere, the first signs of which appeared when the Austrian scheme was successfully launched.

III

GENERAL PROBLEMS

A. DOUBLE TAXATION.

"Double taxation" occurs when a taxpayer who is domiciled in one country and derives part of his income from another country is liable to taxation on the same income in both countries.

In the last few years the drawbacks of double taxation have become more apparent. In the first place, from the point of view of equity, the taxpayer concerned has been subjected to considerable hardship, owing to the great rise in the rate of taxation. In some cases, certain sources of income which are taxed both in the country where they are produced and in the country where the taxpayer is domiciled are subject to a deduction of 80 % or even 100 % and over. From the general economic point of view, when a capitalist belonging to a rich country wishes to invest part of his capital, and when his attention is drawn to enterprises which are being undertaken in a new country, the question of double taxation immediately arises; the capitalist will want to know, for example, whether the country in which he wishes to invest his money will place an excessive tax upon his investment. The Brussels Conference in 1920 drew attention to the subject as an obstacle to the free circulation of capital, and the Genoa Conference also recognised its great importance.

The Financial Committee of the League of Nations has undertaken the investigation of the question of double taxation by means of two groups of experts.

The first group, consisting of MM. Bruins, Einaudi and Seligman and Sir Josiah Stamp, were asked to examine more particularly the theoretical aspects of the question and its possible solutions, considered from the scientific point of view. They met at Geneva in March 1923 and drew up a report which will form the basis of any reform which may be proposed.

It begins with a full analysis of the economic consequences of international double taxation, followed by a detailed discussion of the general principles that govern international competence in taxation, in which it notes the evolution from the principle of an individual's political allegiance to that of his economic allegiance. In other words the consideration is not so much to what nation an individual belongs as to what State his economic interests belong. The report examines the constituent elements of economic allegiance and comes down to the two fundamental factors of (1) the location of property (or the origin of income) and (2) residence of the individual. It makes a classification of all the important categories of wealth, and discusses in each case as to which of these two elements—origin of income and residence—seems to predominate.

The report discusses four different methods of solving the problem :

1. That an income should be taxed in the country of origin, irrespective of the residence of the taxpayer, and that the country of residence should remit the amount of such tax. The difficulty here is that, under modern economic conditions, the great creditor countries might not be willing to accept such a plan.

2. That residence of the taxpayer and not the origin of his income should be the controlling consideration and that therefore all countries should refrain from taxing non-residents. The difficulty here is that the debtor countries might not be willing to accept.

3. That the tax should be divided arithmetically between the country of origin and the country of residence.

4. That, instead of dividing the tax between the country of origin and the country of residence, there should be a classification of the different categories of wealth, some to be taxed according to origin and some according to domicile.

As regards taxes on capital and death duties, the Committee recommends in principle the fourth method (Classification of sources of wealth, certain classes of capital being taxed wholly in the country of origin of the income, while others should be taxed in the country where the taxpayer resides); certain taxes could, however, be divided between the two States concerned.

With regard to taxation of income, however, the difficulties are greater. Economic experts point out that during the past quarter of a century certain countries have passed from taxation of land and capital to a system of taxation based solely on individual incomes. This evolution has not developed to the same degree everywhere. The Committee believes that in countries in which the fiscal system is entirely based on the principle of a tax on the individual income, the principle of residence is the only logical one to adopt. They recognise, however, that owing to the wide differences between the interests of the exchequers of predominantly creditor and predominantly debtor nations, the Governments of the latter might be called upon to make a sacrifice that would render any such settlement at the present moment very difficult. This principle could, however, be applied, in their relations with one another, by countries which are at present on a plane of comparative economic equality.

The second group of experts has begun the study of the problem of double taxation from the practical and administrative point of view. As has already been pointed out, the League of Nations is an association of Governments, and no

practical reform of present abuses can be carried into effect unless the fiscal administrations in the first instance, and the Governments themselves in the second, agree on general principles and on methods of application. Hence the task of seeking a basis for agreement has been entrusted to high officials of the fiscal administrations of a certain number of European countries, selected from among those which are most frequently in touch with one another and whose legal systems are most characteristic, viz., France, Great Britain, Belgium, the Netherlands, Italy, Switzerland and Czechoslovakia. The delegates, who were all Directors-General of Inland Revenue in their respective countries, met at Geneva in 1923.

Their conclusions are at present provisional, but they have recognised that, in general, the country in which the source of income is situated is entitled to impose taxes on capital (schedular taxes). They have applied this principle successively to immovable property, to agricultural undertakings, to industrial and commercial establishments, to mortgages and to earned income. They have agreed upon the principle that, when an industrial or commercial establishment carries on its activities in several countries, each individual country is only entitled to tax the income of this establishment in the proportion in which its activities have been exercised in that country.

The experts have not finally drafted their conclusions as regards income from shares, bonds and public funds, but they have expressed their preference for taxation by the country in which the taxpayer is domiciled; that is to say, in effect, by the country of origin of the source of income.

As regards the general (or personal) income tax, and death duties, the experts have reached no decision and have agreed only on the following points : these taxes should as a rule be levied by the country in which the taxpayer is domiciled, but this rule is subject to certain exceptions, notably in

regard to immovable property, in respect of which the country of domicile is entitled to certain reductions.

Lastly, the experts have begun to study the intricate problem of determining the fiscal domicile of a taxpayer.

The problem is thus being scientifically explored, but it would be unwise not to recognise how long and difficult will probably be the process of getting actual governmental and parliamentary assent to the measures required in a matter so complicated.

B. FISCAL EVASION.

The enquiry on double taxation has been undertaken with the object that a taxpayer may not pay *more than once*; the enquiry on fiscal evasion has the object of making him pay *at least once*.

Few financial questions have been so frequently discussed since the end of the war as that of the form of fiscal evasion sometimes described as "exportation of capital" or "flight of capital." A great variety of causes combine to lead the nationals of a given country to transfer their wealth abroad, and they have created a highly complex problem, which the Genoa Conference asked the League of Nations to study. It is closely connected with that of double taxation and their relation has been expressed in the following terms : of those with incomes liable to taxation in several countries, the unscrupulous pay no taxes in any country and the conscientious pay them in every country.

The most effective way of preventing the export of capital and thereby preventing fiscal evasion would be to make the banks supply the Treasuries of the various countries with a list of all the securities held by foreigners, and of all the dividend warrants which they pay to foreigners, etc. The difficulty of finding a remedy for fiscal evasion is due to the

difficulty of reconciling the secrecy of banks with legitimate measures against fraud.

The group of high officials of the fiscal administrations of seven European countries dealing with double taxation was also asked to study fiscal evasion. They recognised the necessity of preparing measures based on international agreements and aiming, first, at discovering taxable property (from the point of view of double taxation) and, secondly, at repressing fraudulent evasion. They recommended that the Governments of the various countries should undertake to supply each other with the necessary information in regard to the incidence of taxation on immovable property, mortgages, industrial and commercial undertakings and earned income (salaries and wages). This examination of the various sources of wealth from the point of view of fiscal evasion is to be continued.

C. EQUITABLE TREATMENT OF COMMERCE.

The League derives its authority to take action in this sphere from the provisions of Article 23 (e) of the Covenant, by which the Members of the League undertake to establish and maintain equitable treatment of commerce among themselves.

It was, however, from the outset confronted with the danger that, if too much were attempted, the situation instead of being improved would only be aggravated.

The Council therefore in the first instance directed the Economic Committee of the League, in September 1921, to "consider and report upon the meaning and scope of the provision relating to the equitable treatment of commerce contained in Article 23 (e) of the Covenant."

This involved a twofold task : viz., to study (a) the scope, *i.e.* the various forms of commercial activity in respect of

which the League is empowered to take action under Article 23 (e) of the Covenant, and (b) the meaning of the general term "equitable treatment" in these various spheres of activity, and the special provisions in Article 23 (e) for the maintenance of such treatment.

The scope of Article 23 (e) no doubt includes all forms of commercial activities which, taken as a whole, form what is understood by commercial policy. The Economic Committee considered that only a very general and empirical study of the definition of the term "equitable" was possible.

Apart from examining the practical duties involved by Article 23 (e) of the Covenant, the Committee investigated how far there is reasonable prospect of obtaining a general agreement among the Members of the League for the purpose of ensuring the performance of any of these duties. It held that in present circumstances there is no possibility of obtaining an international convention which would cover the whole problem of equitable treatment, and this view was fully confirmed by the Genoa Conference.

The Committee decided that the best method of making progress was to examine various kinds of practice which clearly violate the broad principle of equitable treatment, and grouped them under the following headings :

1. Unfair competition by means of fraudulent trade practices (such as false marks and descriptions)
2. Excessive, arbitrary, or unjust Customs formalities and similar matters;
3. Unjust or oppressive treatment in fiscal or other matters of foreign nationals, firms and companies duly admitted to exercise their commerce, industry, or trade on the territory of another State;
4. Unjust discrimination against the commerce of any Member of the League.

This list by no means exhausts the problems involved in any attempt to realise the equitable treatment of commerce; others, such as double taxation, treatment of goods in ships, in port, etc., fall within the domain of other League Committees (Financial, Transit) and are being separately considered by these Committees.

1. *Unfair Competition.*

Under the term "Unfair Competition" may be included practices whereby trade marks or indications of geographical or commercial origin are improperly used, or whereby goods are falsely described in order that their sale may be thereby facilitated or increased. Hitherto such practices have been regulated by the International Convention of Paris, 1883, for the Protection of Industrial Property, which was amended at Washington in 1911. Under the amended Convention, the contracting States undertake to ensure protection against unfair competition to members of the union. This is the only positive undertaking on the subject so far embodied in an international convention. It is vague and general; it contains no provision for international jurisdiction to enforce it and no detailed particulars of the precise character of the practices at which it is aimed.

Another Convention dealing with the subject, known as the Madrid Arrangement (for the Prevention of False Indications and of Origin on Goods), also amended at Washington in 1911, only embraces ten States, excluding some of the most important.

The Economic Committee took the view that the protection against unfair competition given by the Paris Convention was inadequate for two reasons :

(a) That not all States are parties;

(b) That the provisions of Article 10 *bis* relating to unfair competition are defective in not clearly defining the kinds

of unfair competition against which they are aimed and the procedure for obtaining redress.

In order to ensure better protection against unfair competition, the Economic Committee considered it desirable :

(a) That the membership of the Industrial Property Union should be extended to all States of any importance;

(b) That the provisions of the Convention, as far as they relate to unfair competition, should be amended and supplemented by additional provisions designed to remedy the existing defects.

At their suggestion the Council sent a strong recommendation to all States Members, urging them to adhere to the Industrial Property Convention.

The Economic Committee also prepared a draft of heads of articles to serve as a basis for discussion by Members of the League, and destined, after further consideration and amendment, to form part of the programme for a conference for the amendment of the Industrial Property Convention, which is to be convened shortly under the auspices of the Industrial Property Union.

This draft has been submitted, with the approval of the Council, to all States Members of the League for their consideration. The proposals aim at (a) affording really effective remedies to persons aggrieved by unfair competition; (b) defining the classes of unfair practices including, amongst other things, the improper use of trade marks and names and false indications of origin, written misdescriptions, etc.; (c) dealing with the abuses caused by improper registration of foreign-owned trade marks, etc., and enabling such marks if already improperly registered to be removed from the register; and (d) providing means for the settlement of differences as to the interpretation or carrying-out of the Convention.

Twenty-five States have already sent their observations and suggestions, and the Government of Japan has asked that an international meeting of Government experts be called by the League for a further consideration of the draft articles. This meeting will take place in May 1924.

2. Treatment of Foreign Nationals and Enterprises.

The third group of practices which the Economic Committee has had under consideration, as violating the principle of the equitable treatment of commerce, are connected with the unjust or oppressive treatment by any Member of the League, of persons, firms and companies of another Member carrying on business, whether commercial, industrial, financial or insurance, within its territories. The Committee found it impracticable in the present political and economic condition of the world to formulate any general rule applicable to the conditions of admission of foreigners which it could recommend for general adoption, without such important and numerous exceptions as to deprive the rule of all practical value. It has therefore confined its study exclusively to the régime to be applied to foreign persons and organisations which have been duly admitted by law to carry on their occupation within the territory of a State. The Committee endeavoured to formulate principles which should be observed in the treatment of foreign persons and companies with a view to protecting them from arbitral fiscal treatment and unjust discrimination. It embodied these principles in a series of recommendations which the Council of the League has submitted to all States Members of the League with a strong recommendation that the States should be guided by these principles, both in their internal legislation and their bilateral agreements.

The Economic Committee has not, as in the case of unfair competition and Customs formalities, found it possible to

put forward these recommendations in the form of a detailed programme to serve as the basis of some kind of international agreement. The enquiries conducted by the Committee have led them to the conclusion that the problem of framing detailed rules for the equitable treatment of foreign nationals and enterprises is not yet ripe for a solution by means of a technical conference followed by a general convention. The Committee is, however, convinced that there is a reasonable prospect of obtaining general assent to certain broad principles by which the States Members of the League should be guided both in their national legislation and administration and in any bilateral agreements which they may conclude with other States. The Committee hopes, however, that the temporary difficulties in the way of a uniform code will diminish in the near future, especially if their recommendations are adopted by the Governments.

These recommendations shortly summarised are as follows :

Nationals and enterprises of one State duly established on the territory of another should enjoy national treatment in fiscal matters as regards their goods, industry, commerce or any other form of economic activity. Such nationals or enterprises, if they are admitted to carry on industry, commerce or any other form of economic activity without being established, should enjoy the same treatment in fiscal matters as nationals. Taxes imposed on branches of foreign businesses should be limited to the capital invested in the foreign country or to the profits or revenues arising from the business activities carried on in that country. Foreign nationals and enterprises should be free to acquire and possess property of all kinds, real or personal, which is necessary for their economic activities. They should be able to dispose of this property by cession, exchange, gift or legacy in accordance with the régime accorded to nationals. In connection with the export of the product of the sale of real and personal property of

foreign nationals and enterprises, no discrimination should be made according to their nationality. Foreign nationals and enterprises shall be free to appear before the Courts of foreign countries either as plaintiffs or as defendants.

3. *Unjust Discrimination.*

The Economic Committee has fully realised the desirability of the earliest and most general application of the principle of the suppression of all unjust discrimination as between Members of the League in respect of the treatment of goods or ships. But on account of the wide divergences of opinion between different States as to the fundamental principles of tariff and commercial policy, the importance which many States attach to preserving their full autonomy in such matters, the present instability of economic conditions and the disorganisation of the exchanges, the Committee has so far been unable to formulate a series of generally applicable rules for recommendation to the League. It is devoting further study to the matter.

4. *Customs and other Similar Formalities.*

In the course of their study of the practical obligations devolving upon the Governments from the provision of Article 23, (e) of the Covenant with regard to the equitable treatment of commerce, the Economic Committee realised that among the many impediments to international commerce are unnecessary, cumbersome and unfair Customs formalities and practices.

With the authority of the Council of the League, the Committee investigated which of the existing Customs formalities were considered by the commercial world to be a hindrance to commerce and how far there was a possibility of arriving at an international understanding so as to meet

the requirements of commerce. The Committee confined itself strictly to the domain of Customs and similar formalities and avoided controversial matters such as questions bearing on the Customs policy of States. Secondly, in order that their work might be of real practical value to international commerce, the Committee desired that the parties directly interested, namely, the Customs Administrations and the business world, should be given an opportunity of making their views known and taken into account before any definite proposals were submitted to an international conference.

When, therefore, on the proposal of the Economic Committee the Council decided in September 1922 to summon an international Conference of States Members and non-Members of the League, it submitted to the various Governments for the consideration of their Customs administrations and interested business circles the conclusions arrived at by the Economic Committee, which were embodied in a series of proposals intended to serve as the basis of the Conference programme.

The Economic Committee, entrusted by the Council with the preparation of the Conference, reconsidered its original proposals in the light of the observations and suggestions received from the Governments and the business organisations, and, with the assistance of Customs experts from several countries, drew up the final programme.

The Conference, which was held in Geneva from October 15th to November 3rd, 1923, was attended by the representatives of 35 States (including 4 States non-Members of the League). The Government of the United States of America sent an observer, and, at the invitation of the Council, the International Chamber of Commerce sent a delegation which attended in a consultative capacity.

The fact that Government representatives had the collaboration of representatives from the international commercial

world gave to the results achieved a special value from the point of view of commercial interests. A Convention for the Simplification of Customs Formalities was unanimously adopted and signed by 22 States on November 3rd, 1923.

Generally speaking, the aims of the Convention are as follows :

Publicity, simplicity, expedition, equality and redress.

Publicity, that is, the Customs regulations should be published in a simple and accessible form, and further that any changes that are made in tariffs or in formalities shall be published at the earliest possible moment so that traders and others shall be immediately in a position to ascertain any changes that are made, or additional charges that are imposed.

Simplicity, that is, simplicity in Customs rules and procedure, so that prohibitions, restrictions and formalities should be reduced to a minimum.

Expedition, that is, that such Customs rules and procedure as have to be imposed should cause as little delay as possible to the rapid passage of goods — and of passengers — from one country to another.

Equality, that is, that apart from tariff policy, the formalities themselves shall not be utilised for the purpose of imposing any arbitrary or discriminating burden or restriction.

Redress, that is, that the Contracting States undertake to take appropriate measures to ensure redress by means of administrative, judicial or arbitral procedure in case of alleged abuse.

Amongst other provisions in the Convention, the Contracting States bind themselves to reduce as soon as possible their import and export prohibitions and restrictions to the smallest possible number, and, in those cases where the system of import and export licences is maintained, to observe the

four principles referred to above, viz. simplicity of the formalities to be fulfilled, publicity for the respective regulations, expediency in the examination of applications, equity as regards the granting of licences and the adoption of measures to prevent the traffic in licences.

Several provisions aim at the introduction of still greater facilities for commercial travellers than have hitherto been granted by States in their mutual agreements. Thus Contracting States agree to consider as sufficient for the future identification of samples the marks affixed by the Customs authorities of other Contracting States. Samples need not necessarily leave a country through the same Customs office as they enter. Identity cards for commercial travellers will be uniform in all Contracting States. Only in exceptional circumstances will consular visas be required. The cost of an eventual visa will not exceed the cost of the service. Unaccompanied samples will enjoy the same treatment as those accompanied by commercial travellers.

Another Article of the Convention, namely, that dealing with certificates of origin, is of considerable importance. Louder complaints are raised by business circles against certificates of origin than against any other regulation instituted by the various countries. These complaints, which in many instances are shared by the Customs administrations themselves, are chiefly directed against the cumbersome and arbitrary formalities which have to be complied with. They vary in different countries and are either inadequately published or not published at all. They undergo constant changes and are even in some cases used as a means of discrimination. Therefore, after adopting a general rule binding the Contracting States to reduce to a minimum the number of cases in which these certificates are required, the Conference agreed upon a series of provisions having for their object the suppression of at least some of the abuses which, in the opinion of the Customs world, constitute the greatest obstacles

to international commerce. Thus, to mention merely the more important of these provisions : the formalities and procedure connected with the issue and acceptance of certificates of origin shall be simplified and brought to the notice of the public in an adequate manner. The right to issue certificates of origin shall be extended to certain organisations possessing the necessary authority. In the case of goods not imported directly from the country of origin, the country through whose territory these goods are forwarded shall have the right to issue certificates of origin. Consular visas for certificates of origin shall not in principle be required, and if required, the cost of the visa should not exceed the cost of issue.

The Conference also adopted a series of recommendations regarding the simplification of the formalities relating to the passage of goods through the Customs, the examination of travellers' luggage, the system of goods in bond and warehousing charges, and the participating States agreed to give favourable consideration to these recommendations.

So far, all the provisions adopted by the Conference and embodied in the Convention affect in the first place the commercial world. With regard to the general public, which is interested in Customs regulations only when crossing frontiers, it was recommended by the Conference that States should examine travellers' hand luggage in the train either *en route* or when the train stops at a frontier station and should extend a corresponding facility to luggage travelling by sea and on rivers. On the other hand, the participating States agreed to allow luggage registered from the place of despatch abroad to be forwarded as of right and without a Customs examination at the frontier to a Customs Office in the interior of the country of destination.

The Convention will come into force after it has been ratified by five States. Provision is being made for the

revision of this Convention, by means of another Conference, should one-third of the Contracting States so desire.

D. COMMERCIAL ARBITRATION CLAUSES.

The variety of national systems of law, the uncertainty regarding rules of international private law and the lengthy periods required for the settlement of disputes by ordinary courts, form serious obstacles to the development of international trade.

The Economic Committee, on the initiative of one of its members, examined from the international point of view the question of the value of arbitration clauses voluntarily included in commercial contracts, particularly in contracts between persons of different nationalities.

In recent years this question has aroused increasing interest in Europe and in America. It is generally recognised that arbitration clauses possess considerable practical value and afford a means of avoiding litigation and loss of time and money; they have also proved an incentive to commercial integrity. The Economic Committee accordingly considered that an effort should be made to remove the obstacles to the general recognition of the validity of these clauses.

In July 1922, the Committee summoned in London a meeting of a Committee of Experts on legal and commercial questions. It was composed of six members, from Great Britain, France, Denmark, Japan, Czechoslovakia, and Germany, and was asked "to study the effect of agreements between residents in different countries to submit to arbitration disputes arising under commercial contracts; to examine any obstacles to the operation of these agreements arising out of the exercise of jurisdiction by the national Courts in matters within the scope of the agreements, and

to consider how far such obstacles can be removed or restricted, and lastly, to consult, when pursuing their work, such organisations and persons as may seem desirable."

The Committee of Experts, in its report to the Economic Committee, made the following definite recommendations :

"If two parties of different nationalities agree to refer disputes that may arise between them in a named country, an action brought by either party in any country other than that agreed upon as the place for arbitration ought to be stayed by the Court of the country in which it is brought, provided that (a) the Court is satisfied that the other party is and has been ready and willing to do all things necessary to carry out the arbitration agreed upon, and (b) that the same Court is satisfied, either by a certificate of the Court of the country in which it has been agreed to arbitrate, or by diplomatic methods, that the law of the latter country recognises and will make effective the arbitration agreement."

The Economic Committee fully endorsed the views of the experts and proposed that the Council should submit the report to all States Members of the League, recommending them to take steps in accordance with its conclusions.

It also proposed that the Council should recommend States Members of the League whose legislation or legal practice is still adverse to commercial arbitration agreements to endeavour to introduce as soon as possible measures giving the greatest possible encouragement to such agreements and the necessary protection to parties to such agreements who were willing and able to carry them out. This course was adopted by the Council.

Later on, the Committee further considered what other measures could be taken to produce practical results. In January 1923 it submitted to the Council a concrete proposal

in the form of draft articles of a protocol. These were carefully examined by a Committee of Jurists and a revised text was communicated to the Governments, was reconsidered by the Second Committee of the Fourth Assembly, and adopted by the Assembly in its final form on September 24th, 1923, from which date the Protocol was open for signature at the Offices of the League Secretariat.

The sole aim of this Protocol is to make it impossible in future for the legislation and jurisprudence of the contracting States to stand in the way of the efficacy of arbitration agreements, especially in commercial matters and between parties living in different contracting States, even when the arbitration takes place in a country other than those to whose jurisdiction the parties to the contract are subject. Each contracting State reserves the right to limit this obligation to contracts which are considered as commercial under its national law (Article 1). The contracting States are thus placed under a twofold obligation, namely :

1. They must ensure the execution by their authorities, and in accordance with the provisions of their national laws, of arbitral awards made in their own territory (Article 3);

2. When their tribunals are seized of a dispute regarding a contract including an arbitration agreement under the terms of Article 1 and capable of being carried into effect, these tribunals must refer the parties, on the application of either of them, to the decision of the 'arbitrators' (Article 4). This reference, however, will "not prejudice the competence of the judicial tribunals in case the agreement or the arbitration cannot proceed or becomes inoperative"

According to Article 2, the arbitral procedure will be governed by the will of the parties and by the law of the country in whose territory the arbitration takes place. It is also provided that the Protocol shall enter into force as soon as two ratifications have been received.

All questions of private international law, including those which concern the enforcement of arbitral awards in a contracting country other than that in which the arbitral award was made, remain unaffected. These are extremely delicate and difficult points, and the Committee has purposely left them alone. The question of the executive force of arbitral awards made in a foreign country was specially examined by the Economic Committee, which also asked the jurists' opinion on the subject. But, in conformity with the conclusions of the report presented to it, the Committee preferred not to raise a question which affects State sovereignty and which does not—at any rate at present—appear capable of solution.

The Protocol has been signed by the following ten States, in chronological order of signature : Belgium, Lithuania, Greece, British Empire, Brazil, Uruguay, France, Denmark, Italy, and Germany.

The International Chamber of Commerce has also for some time been studying this problem, and altogether there is every reason to hope that the carefully elaborated proposal of the Economic Committee will ultimately be adopted by a large number of States and will mark an important advance in this direction, an advance urgently necessary in view of the steady development of international trade.

E. UNIFICATION OF LAWS RELATING TO BILLS OF EXCHANGE.

This question was considered at two conferences held at The Hague in 1910 and 1912 on the initiative of the Dutch Government. At the second conference, a convention and a uniform regulation were adopted by representatives of some thirty States but for various reasons the

convention was not ratified by any of the signatory countries.

The matter was not taken up again until the Brussels Financial Conference in 1920 when the Conference expressed its opinion that "the activities of the League might usefully be directed towards promoting certain reforms and collecting the relevant information required to facilitate credit operations." In this connection the Conference referred to the "advantages of making progress in the unification of the laws relating to bills of exchange."

The Economic Committee was accordingly asked to consider the question. It appointed a committee of four leading experts : — Professor Jitta, President of the Royal Dutch Commission for Private International Law; Professor Ch. Lyon-Caen, Honorary Dean of the Faculty of Law at Paris; Sir Mackenzie D. Chalmers, formerly Under-Secretary of State for the British Home Office; and Professor Franz Klein of the University of Vienna—whose report was published by the League and sent to all its Members for any comments they might desire to make. The conclusions reached by the Economic Committee were embodied in a report submitted to the Fourth Assembly, which adopted them. They may be summarised as follows :

The Economic Committee is convinced that the solution of this problem would have the effect of promoting commercial relations between the various peoples. But despite the fact that this opinion is shared by all legal and commercial circles everywhere, the deep-lying differences between the principles of the so-called "Anglo-Saxon" law and those of "Continental" law, and, above all, the incongruous characteristics of the various systems of European law themselves, are such that for the time being the establishment of a common system is out of the question.

The Committee considers, however, that some useful purpose might be served by taking a step towards stan-

dardisation, by adopting as a basis the scheme evolved by the Hague Conference of 1912, even though the amendments introduced into the various national systems of law should only mean a partial and gradual approach towards this standardisation. The Economic Committee is therefore of opinion that the Governments should be brought to see the desirability of making an effort in this sense.

The League of Nations should also be kept informed of the steps taken by Governments in this direction, in order that when, in its view, the changes which have taken place have sufficiently altered the situation of the problem, it may look forward with the certainty of success to the summoning of an international conference which would establish, in respect of bills of exchange, either a standard law or else modifications carried out in common by the individual national laws.

F. STATISTICAL METHODOLOGY..

Amongst the other subjects which have occupied the attention of the Economic Committee is that of the uniformity of the methods adopted in various countries in the compilation of economic statistics. The Genoa Conference passed a resolution to the effect that "it is desirable that common principles should be adopted for economic statistics. The League of Nations, in collaboration with other competent organisations, is invited to facilitate the carrying into effect of this resolution by all the means which are at its disposal" In view of the valuable work which had already been carried out in this connection by the International Statistical Institute, a private society which had been founded with the express object of promoting uniformity in statistical methodology, the Economic Committee, with the approval of the Council, entered into negotiations with this organisation and arranged that the particular

question of economic statistics should be discussed at the coming conference of that Institute on lines to be jointly agreed. A meeting was accordingly held between representatives of the Economic Committee, the International Labour Office and of the International Statistical Institute, at which a programme of work was drawn up and a committee of experts selected with a view to studying that programme and elaborating definite proposals to be submitted to the full conference of the Institute.

The Committee held a number of meetings during the first half of 1923 and put forward a series of resolutions which were considered by the International Institute at its Conference held in Brussels at the beginning of October. These resolutions dealt with the following subjects :

1. International trade.
2. Agricultural production.
3. Fishery statistics.
4. Indices of the economic situation.
 - (a) Indices of the movement of wholesale prices.
 - (b) Other indices of the economic movement.
 - (c) Composite indices.
 - (d) Indices of the movement of retail prices.
 - (e) Indices of the cost of living.
 - (f) International comparisons.

After they had been discussed, considered and amended by the general Conference of the International Institute, they were transmitted by that organisation to the Economic Committee. The Council at its next meeting in March 1924, acting on the Committee's suggestion, transmitted the resolutions to the various Governments for their consideration and ultimate action.

The Economic Committee is at the same time keeping in the closest touch in this work with the International Institute of Agriculture at Rome, which is particularly competent in the question of agricultural statistics and has a long record of experience and useful work behind it.

IV.

SPECIAL PROBLEMS

1. THE GREEK REFUGEES SETTLEMENT SCHEME.

In the second half of 1922, during the retreat of the Greek Army and the capture of Smyrna and the whole of Asia Minor by the troops of the Turkish Government of Angora, hundreds of thousands of Greek inhabitants of those regions left their homes and fled to the coast. Some of them were able to reach Greece; others were collected in concentration camps and were finally transported to Greece with the assistance of Dr. Nansen, the League of Nations High Commissioner for Refugees.

The total number of Greek refugees amounts to about one million. At the beginning their situation was appalling. It was alleviated through the remarkable work of American and English charitable societies, which fed many hundred thousand refugees for several months and saved a great number of lives.

It was clear from the beginning, however, that this philanthropic support could form no more than a temporary remedy and could not offer a permanent solution.

The private relief organisations could not be expected to provide the sums necessary for the definite settlement of all suitable Greek refugees in productive work. This was evidently the task of the Greek Government, which therefore contemplated the raising of a loan. But as the financial credit of the Greek Government on the money markets was necessarily low as a result of the war, the Government, basing itself on a proposal of Dr. Nansen, asked the Council for the moral support and technical help of the League of Nations in preparing the negotiations for such a loan.

The Council, at its meeting of February 2nd, 1923, transmitted this request to the Financial Committee of the League for examination and report. M. Parmentier, member of the Financial Committee, accompanied by a member of the Economic and Financial Section of the Secretariat, was asked to go to Athens in order to enquire on the spot into the situation; especially as to the securities which the Greek Government would be able to offer to eventual lenders and as to the organisation which would be most suitable to control the expenditure of the loan. Simultaneously, Colonel Procter, Dr. Nansen's deputy, made a full and thorough investigation as to the needs of the refugees and the best conditions of a settlement scheme.

Meanwhile, the situation was made still more acute by a note of March 31st from the Secretary of State of the United States to the British, French and Italian Governments to the effect that the American Red Cross had decided to terminate on June 30th its emergency relief work, on which more than 500,000 refugees were entirely dependent and that the Near East Relief also desired to discontinue its emergency relief as soon as possible. The note added, however, that if a constructive plan could be worked out for an apportionment of the task and for the gradual solution of the refugee problem, American relief agencies would be ready to co-operate, even after the termination of the emergency relief work of the

American Red Cross on June 30th. In fact, charitable assistance has been continued, particularly through the Near East Relief, though on a reduced scale.

The question was discussed by the Council, which constituted for the purpose a special Greek Sub-Committee, composed of the British, French and Italian Members of the Council, to whom a representative of the Greek Government was added.

As a result of the investigations of M. Parmentier and Colonel Procter, the Financial Committee was able to submit a report to the Council on the possibilities of a loan. After considering this report, the Sub-Committee of the Council, at its meeting of July 9th, 1923, approved the main lines of a scheme for the settlement of refugees through an independent Settlement Commission.

The Council recommended the Greek Government to get at once into touch with financial circles and to start definite negotiations for a loan. The Council offered its assistance in organising the administration of the funds produced by the loan, in order to give the lenders assurance that the funds would be employed to the best advantage.

The Greek Government followed this advice and started negotiations. It found that the immediate issue of the total loan would not be practicable and would have to be reserved until conditions had improved and a start had been made with the Settlement Scheme.

The Government received, however, an offer through the Bank of England for a provisional advance of £1,000,000 on certain conditions, of which one of the most important was the establishment of an independent Settlement Commission on lines approved by the League.

The Council, on the basis of further proposals of the Financial Committee, drawn up in co-operation with Dr. Nansen

and the Legal Section of the Secretariat, approved, at its meeting of September 29th, the following documents, which were signed on the same day at Geneva, the first two on behalf of the Greek Government :

(1) A Protocol containing the General Conditions of the loan and the establishment of a Refugees Settlement Commission.

(2) The Statutes of this Commission:

(3) Declaration concerning the International Financial Commission.

The main contents of these documents are as follows :

The raising of a loan, by the Greek Government of £3,000,000 to £6,000,000 is contemplated for the final settlement of the Greek refugees in productive employment under the control of an independent Refugees Settlement Commission.

The Greek Government is to transfer to the Settlement Commission the full property in an amount of land of not less than 500,000 hectares suitable for settlement. The Government is to hand over to the Settlement Commission the proceeds of the loan and of any provisional advances.

The task of the Commission is to promote, by these means, the establishment of refugees in productive work in Greece, either upon the land or otherwise, for instance, in industry.

The service for the interest and the amortisation of the loan will be guaranteed in the first instance by certain Greek revenues to be agreed between the prospective lenders and the Greek Government.

The proceeds of the revenue which will be assigned will be handed to the International Financial Commission at Athens for the purpose of meeting the service of the loan.

In this connection, it will be remembered that the International Financial Commission has for many years controlled the receipts of the monopolies and of several Customs offices in the former territory of Greece for the service of the external Greek debt. This Commission is composed of the representatives of France, Great Britain and Italy. In pursuance of the declaration referred to above, the Governments of these Powers have undertaken to give their representatives the instructions necessary for the working of the autonomous office.

The service of the loan will also be guaranteed by a first charge upon the property and the income of the Refugees Settlement Commission, *i.e.*, upon the lands to be transferred to that Commission and upon the sums paid by the refugees as rent or in reimbursement of advances. The reimbursement of these advances will have priority over taxation and all other claims. Another source of income for the Commission will be the taxes paid by the refugees, as these taxes will be handed over by the Government to the Settlement Commission. If the Settlement Commission sells any land, the proceeds of such sales will be paid into a special sinking fund.

The Greek Government undertakes a special obligation under the Protocol to make every effort to secure as soon as possible an equilibrium of the State Budget. In order to prevent depreciation of the Greek currency and a consequent depreciation of the value of the revenues to be assigned to the loan, the Government also undertakes not to create charges upon its other revenues except for the purpose of meeting its external obligations or of improving the financial position of Greece.

The Statutes fix the composition and the working of the Refugees Settlement Commission.

The Commission is composed of four members :

(a) The Chairman is of American nationality with representative experience of relief organisation. The Council

has appointed, on the nomination of the Near East Relief, Mr. Henry Morgenthau, member of the executive of the American Red Cross and of the Near East Relief Societies and former Ambassador of the United States at Constantinople.

(b) The Council has appointed a second member, Mr. John Campbell, of the Indian Civil Service, former Director of Civil Supplies of the United Provinces.

(c) Two members are appointed by the Greek Government with the approval of the Council. The members thus appointed are M. Étienne Delta, Adviser to the National Bank of Greece, and M. Pericles Argyropoulos, former Greek Minister at Christiania.

The Commission decides by a majority vote. In the event of the votes being equally divided, the Chairman has a second vote.

The Commission reports every three months to the Council, and the reports are published.

The way in which the problem of the Greek Refugees has been treated by the League of Nations offers a new example of the same methods as were employed in preparing the scheme for the financial reconstruction of Austria.

Faced by a question which had at the same time political, technical, financial and legal aspects, the Council of the League took into consideration the special interests of certain States by appointing a Sub-Committee composed of three of its members, to which a representative of the Greek Government was afterwards added. Enquiries were made on the spot as far as the humanitarian aspect of the problem was concerned by the High Commissariat for Refugees, and with regard to the financial aspects by a French member of the Financial Committee accompanied by an Italian member of the Secretariat.

The Financial Committee and the High Commissariat worked in co-operation with one another, and the legal sides of the problem were studied by the Legal Section of the Secretariat.

The Settlement Commission started work in the middle of November 1923, and has presented its first report.

FINANCIAL SITUATION OF DANZIG.

In view of its political responsibilities, the attention of the League of Nations was drawn to the financial problems of the Free City of Danzig.

The situation of the Free City presents a curious anomaly; its economic life depends chiefly on Polish commerce, while its monetary position and, therefore, to a large extent its finances, were dependent upon Germany. The Free City has thus been subjected to all the evils caused by the monetary inflation, without reaping any of the temporary advantages.

This precarious situation was rendered more acute by the heavy burden of debt imposed by the Peace Treaty; not only has the Free City been obliged to take over a portion of the pre-war debts of the German Empire, but it has also had to share with Poland the burden of paying for the value of property situated within the territory of Danzig which had belonged to the German Empire and had been allocated by the Allies to Danzig and Poland.

When the Free City appealed for help to the Council of the League of Nations, the Council placed the services of the Financial Committee of the League at the disposal of the Free City in order to study the situation. In September 1921, the Committee decided to send a delegation to Danzig to investigate in detail not only the position of the Free City,

but also the special interests of Poland and the questions raised by the Principal Allied and Associated Powers.

The Committee adopted a double course of action.

In the first place, taking into consideration the burden which prevented Danzig from finding the necessary working capital for its Treasury, the Financial Committee requested the League of Nations to approach the principal creditors of the Free City with a view to obtaining a moratorium or some equivalent relief. These creditors are the Conference of Ambassadors for a comparatively small amount, and the Reparation Commission for a large amount.

These two bodies first granted a moratorium for one year; then, in order to help, as far as lay in their power, towards the realisation of a loan of 500,000 gold marks for working capital, they announced that they would not demand special securities for their credits.

But the question of balancing the budget and of obtaining working capital was not the only serious problem with which the City of Danzig was faced. As early as September 1922, the Financial Committee had proposed that Danzig should consider the introduction of a fresh currency. During the months immediately following this recommendation, the collapse of the German mark continued and monetary reform became absolutely indispensable. The Senator in charge of the finances of the Free City therefore submitted to the Financial Committee, in July 1923, a scheme for monetary reform which the Committee examined, giving its attention not only to the technicalities of the proposed operation, but also to the international aspect of the problem. In accordance with the provisions of a Treaty concluded in 1920, the Free City and the Republic of Poland had undertaken, as soon as circumstances allowed, to enter into negotiations with a view to the unification of their monetary systems. Any reform undertaken by Danzig would thus have to be carried

out in such a way as to permit of ultimate unification. At the suggestion of the Financial Committee, negotiations were entered into at Geneva between the representatives of the two States concerned. These delicate negotiations, carried on under the auspices and with the help of the Committee, resulted, in September 1923, in the signature at Geneva of an Agreement between the Free City and Poland. This Agreement provides for the creation at Danzig, with the least possible delay, of a new "guilder" monetary unit (now in operation), equivalent to the twenty-fifth part of the £ sterling, and approximating to the Polish "zloty", which will be equivalent to the gold franc. Poland and the Free City will effect their respective monetary reforms at different dates, but have taken every precaution to secure that the unification of their systems may later be effected under the best possible conditions and with due consideration for all the interests at stake.

ALBANIA.

The Council had expressed its readiness to entertain any application that might be received from States which felt the need of technical advisers on financial or economic administration, and, acting on this, the Albanian Government submitted in 1922 two requests to the League of Nations; first, that the League should appoint a financial adviser, and, secondly, that it should appoint experts to explore the country and prepare a report on the mines, forests, agriculture, means of transport and hydraulic power.

The Council of the League forwarded these requests to the Financial Committee, which was of opinion that the best means of ensuring the development of Albania was a wise and competent organisation of the national finances and financial administration.

The Committee therefore decided to send to Albania M. Calmès, of Luxemburg, to carry out a preliminary enquiry.

M. Calmès, accompanied by a member of the Secretariat, visited Albania and submitted to the Committee a report outlining the organisation of the Government and the general economic and financial situation in the country. This report is probably the first document to give an authoritative statement concerning the condition of Albania from the financial and economic point of view.

The Financial Committee, having studied these questions exhaustively, proceeded to the appointment of an adviser. It proposed that the Council should appoint M. J. D. Hunger, late Governor of Batavia (Dutch East Indies). The Council approved the nomination, and Mr. Hunger has been in Albania since June 1923.

He submitted his first quarterly report to the Council in September 1923. In agreement with the Albanian Government, he asked the Financial Committee for assistance in carrying out the investigations preliminary to the creation of a bank of issue. The Committee has prepared a draft organic law, intended to serve as a basis for the statutes of the future bank, and steps are already being taken for its definite foundation.

4. CZECHOSLOVAK LOAN.

In April, 1922, the Czechoslovak Government signed, with Messrs. Baring Bros. of London, a contract for the issue of a public loan in various countries. This contract contained clauses providing for the intervention of the Council of the League of Nations should certain eventualities or difficulties arise in the future. The Council instructed the Financial Committee to investigate the responsibilities which might devolve upon the Council by virtue of these clauses,

and to indicate whether it ought or ought not to approve the proposed agreements.

The Financial Committee recommended the Council to agree to be represented either by the Financial Committee itself or by other representatives who might be authorised to conclude agreements in the interests of the shareholders, should the Czechoslovak Government and Messrs. Baring Bros. be unable to arrive at an agreement satisfactory to both parties.

The Committee also recommended that the Council should undertake to appoint arbitrators to settle any disputes to which the agreement concerning the loan might give rise.

5. ECONOMIC CONDITIONS IN RUSSIA.

In June 1922 the Norwegian Government proposed to the Council of the League that a committee should be set up to inquire into the Russian situation from the economic point of view. It was considered that, before the Russian problem could be usefully approached, it was essential to possess a wider and more objective knowledge of this subject. A similar proposal had been submitted to the Genoa Conference which had been unable to deal with it.

The Council decided to authorise the Secretariat to collect, co-ordinate, and tabulate any information that could be obtained from the various Governments, relief organisations and other bodies working in Russia, and wherever possible, to complete these data with information from other sources, with a view to submitting to the Council as complete and accurate a report as possible. The Secretariat submitted to the Governments, including those on Russian territory, requests for information, and applied to a very large number of organisations and qualified persons.

The results are contained in a pamphlet entitled : "Report on the Economic Conditions in Russia."

V

PUBLICATIONS

BRUSSELS FINANCIAL CONFERENCE. — At the time of the International Financial Conference at Brussels, there was not the general knowledge throughout Europe of the economic conditions, tendencies and policies of the various ex-belligerent and neutral States that exists to-day. Many experiments were being tried, innumerable problems presented themselves; but the greater issues had not then emerged so clearly from the lesser. It was thought opportune, therefore, in preparing for the Conference, to publish a series of documents concerning the general economic and financial situation in Europe. The documentation submitted took various forms. In the first place, the countries taking part in the Conference were invited to submit statements of their general economic position—statements which were subsequently supplemented by speeches made at the Conference itself. Secondly, certain experts in various fields of economic science were asked to prepare memoranda on some of the outstanding problems of the day. Thus a memorandum on the world's monetary problems was submitted by Professor Cassell, in which the theory of the relation between exchange rates and the internal and external purchasing power was elaborated; memoranda on credit currency and exchange fluctuations were submitted by Professor Bruins and Professor Pigou, and memoranda on the financial and monetary situation by Professor Gide. The whole volume was prefaced by a joint statement on the monetary situation. Finally, the Secretariat prepared a number of pamphlets based

largely on information specially provided by the various Governments, three of which, those dealing with national finance, currency and international trade, were of a statistical character, while the remainder summarised the situation with reference to exchange control, the transport situation, international credit, etc.

The Conference expressed very forcibly the opinion that the first steps towards the general improvement of the world's economic situation must be taken by the national Governments themselves and that international action must be dependent upon internal reform : secondly, that the national Governments could only hope to carry out a programme of reform successfully if backed in their endeavours by the full force of public opinion.

The first step, it declared in its opening resolution, "is to bring public opinion in every country to realise the essential facts of the situation and particularly the need for re-establishing public finances on a sound basis as a preliminary to the execution of those social reforms which the world demands". The Conference urged, therefore, that the work of collecting and publishing the essential data with reference to the financial and economic situation of Europe should be continued by the League of Nations.

At the end of 1920 the whole of the documentation of the Conference, together with the resolutions carried, was published, steps having been taken since the conclusion of the Conference to complete and bring up to date the information concerning public finances.

Currency, Public Finance, Banks of Issue. — The policy of the Brussels Conference was essentially pragmatic and the same pragmatism has likewise characterised the policy of the Economic and Financial Organisation, the Council and the Assembly of the League of Nations. An endeavour has been made in the publications which have been issued to

concentrate on those subjects which are of fundamental and immediate importance. At the same time precautions have been taken to prevent these publications from being spasmodic in character and to assure that the series is homogeneous. Thus, in the spring of 1922 during the Conference of Genoa, the Economic and Financial Organisation published further editions of its memoranda on Currency and Public Finance, and, in view both of the special emphasis which the Brussels Financial Conference had laid upon the relation between the Central Banks and the Governments, and of the importance which the policy of the Central Banks may have on the final solution of the currency and exchange problem, a further pamphlet giving the comparative balance sheets of the most important banks of issue for the years 1913, 1918-21 inclusive. These memoranda may be considered now as part of the annual work of the Economic and Financial Organisation. A further edition of the memorandum on Currency was published in June 1923, bringing the information to the end of the preceding year: and a further edition of the memorandum on Public Finance appeared in August 1923.

The currency memorandum gives in the briefest possible form the most important currency statistics for the majority of the countries in the world since 1913; it includes data on exchange and discount rates, on note circulation, commercial and savings deposits, bank clearings and prices, gold reserves and gold movements. In special notes to each country the most important currency changes of recent years are summarised and, when necessary, information is given with reference to the currency systems in force. In an introduction, the statistical tables are summarised and a comparison made between the progress of events in the various countries considered.

The memoranda on Public Finance give a review of the general financial position of nearly all European and certain

extra-European countries, together with an analysis of the latest closed accounts and budget estimates, the position of the public, domestic and foreign debts, claims on and assets of the Governments, etc. They are likewise prefaced by introductions in which a comparison is made between the development in the various countries both as regards the budgets and the public debts.

The memorandum on Central Banks of Issue (that bringing the information up to the end of the year 1923 will be issued in March) is in the first instance an analysis of the balance sheets of the banks concerned, and a grouping of the information thus obtained in such a way as to allow of international comparison. In the notes to each country the manner in which this re-grouping is carried out is explained in each case and the details of the balance sheets summarised shown. The introduction gives a comparison between the metallic and other reserves and total liabilities and note circulation, the actual amount of gold reserves, the movement of circulation, deposits, loans and advances, and discusses further the important problem of the connection between the Central Banks and the Governments.

In all cases a special effort is made to get over the difficulty presented by the fact that currency statistics, bank balances and budgets are drawn up on very different lines in the various countries.

One of the main problems of the economic situation to-day is that of international indebtedness. The details with reference to that indebtedness, the sums owed, the amount of interest paid or unpaid, the currency in which the service of debt is due, are set out in the memoranda on Public Finance. The debt position is, however, largely static and the possibility and probable results of payment of interest or repayment of principal must depend largely on the character of the existing balance of payments. The Third Assembly of the League therefore expressed the desire that the dynamics

of the situation should likewise be studied and that the Economic and Financial Organisation should collect information concerning the visible and invisible trade balances. The work on this question is now under way.

It is hoped, moreover, in the near future to supplement the volume on Central Banks by a work on Joint-Stock Banks.

The Monthly Bulletin of Statistics. — All these volumes, however, summarising as they do the situation up to the end of the year previous to that in which they are published, necessarily fail to some extent to explain the situation of the moment. The Economic and Financial Committee, indeed, foresaw this eventuality as early as the winter of 1920, when they expressed the opinion that it would be desirable to have in addition a current monthly summary of the most important economic changes, based on official returns, and accordingly recommended that the *Monthly Bulletin of Statistics*, which was then being published by the Supreme Economic Council should, when that Organisation came to an end, be taken over by the League of Nations. To a large extent the *Bulletin* acts as a running commentary on the extent to which the various countries have been able to carry out the resolutions of the International Financial Conference of Brussels, giving as it does month by month the figures of the note circulation, metallic reserves, rates of discount, wholesale prices, etc., of the majority of countries publishing such information. At the same time it constitutes a form of world economic barometer. It may be interesting in this connection to quote from the introduction of the first copy issued under the auspices of the League :

“The *Bulletin of Statistics* is intended primarily to be a collection, not of strictly comparable international statistics, but of indices illustrating commercial and industrial move-

ments. Owing to the different systems under which the statistics are drawn up, to the different legal codes obtaining in the individual States, and to the variations in the value of money, direct comparison between the absolute figures of any two countries is, in respect of many of the tables, likely to prove misleading. Comparison should rather be made between the ratios which the figures for any one month bear to the figures for other months in one country with similar ratios in other countries."

The various series of statistics published in the *Bulletin* have just been selected with particular reference to the extent to which they act as a barometer of economic movements. The data are supplied regularly by the various participating States, either by post or by telegraphic advice. The *Bulletin* further performs a second important function in keeping the Secretariat in constant touch with the various Governments. It is on account of the fact that the various problems which arise from month to month on the data supplied are solved by correspondence throughout the whole course of the year that the Secretariat is in a position to prepare its other memoranda without the delay which would be entailed by constant specific reference to the various Governments.

Replies of Governments regarding Action on Brussels Resolutions. It is a necessary characteristic of all the publications prepared by the Secretariat of the League of Nations that they are essentially objective. They obviously cannot deal with policy, or with the motives which determine policy; they can only set out in a formal manner the results to which that policy has led. The Second Assembly of the League considered, therefore, that it was desirable to supplement the information which the Secretariat memoranda contained by official statements from the various Governments themselves of the extent to which they had succeeded in putting the resolutions of the International Financial Conference of

Brussels into force. A form of questionnaire was accordingly drawn up, based on the resolutions of the Conference, and submitted to the participating States. The replies received have been published in four volumes, containing official statements from twenty-seven countries.

As the reports are official in all cases except in two, the indications of policy are more authoritative than those of reviews by independent students. The reports, moreover, give valuable information, not only with reference to what has been achieved in the past, but also concerning the intentions of the several Governments. It may be well to quote a few of the section headings of the various chapters, in order to indicate the character of the contents : Whether Expenditure on Armaments has been reduced; Charges for Unemployment; The Introduction of New Taxation; The Effect of Local and Provincial Finance on the Budget of a State; The Causes and Effects of Deflation if existing; The Existence and Abolition of Price Discrimination against Foreign Trade.

These official statements were, however, written at different dates and vary greatly in length and completeness. With a view to knitting the whole work together and covering the lacunæ created by certain Governments failing to submit statements, an introduction was prepared by the Secretariat summarising in some fifty pages in an objective form the fundamental relevant economic data. Owing to the different systems in which budgets are drawn up, and to the discrepancies, frequently very grave, between budget estimates and closed accounts, an attempt has been made in this introduction to measure the extent to which the various States have been successful in avoiding the policy of budget deficits by means of showing the reduction of growth in the public debt.

Special Memoranda by Experts. — Reference has been made above to the invitation extended to certain experts to submit memoranda as preparatory documentation for the Brussels Conference. This was not, however, the first occasion on which such a course was pursued. Indeed, the first publication of the Economic and Financial Organisation—a book on the currency systems in the leading economic countries of the world during and after the war, entitled “Currencies after the War” — was prepared in this way. Similarly in 1920, Professor Gini was requested to prepare on behalf of the League of Nations a statement with reference to the raw materials position.

The work finally published contains a general report of the situation in 1920 and 1921, written by Professor Gini himself, and a series of statistical appendices on cereals, wool, cotton, coal, mineral oil, etc. prepared under his direction and based largely upon special information supplied by the various Governments. In these special reports prepared by outside experts, for the views and opinions contained in which those experts are themselves alone responsible, it is possible—and that possibility creates a distinct advantage—to deal with the questions under consideration with greater freedom than in a strictly official document. This is a noticeable characteristic of Professor Gini's report, Professor Gini having himself made a special tour or enquiry throughout a large number of European States.

Economic Conditions in Russia. — Amongst other publications issued by the Economic and Financial Organisation should be mentioned a report on the economic conditions of Russia, issued in the autumn of 1922. This report, in addition to giving a summary of the general economic situation, deals especially with the condition of agriculture in Russia before the famine and with the famine of 1921-22. Special appendices deal, moreover, with the condition of industry,

transport, currency, etc. It contains a bibliography of the most important works dealing with Russian economic problems. The bibliography is divided into two parts, namely, that published before 1917 and that published subsequently to the Soviet Revolution. In another appendix are shown all the territorial changes which have been effected since the Soviet Government came into power.

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OF THE

LEAGUE OF NATIONS

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THE
Financial Reconstruction
OF
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Information Section,
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GENEVA.

NOTE

This pamphlet is one of a short series issued by the Information Section of the Secretariat of the League of Nations on various aspects of League work. It should not be regarded as an official statement engaging the responsibility of the League; for official purposes, reference should be made to the Commissioner-General's reports and to the official proceedings of the League of Nations.

Other pamphlets in preparation deal with the constitution and organisation of the League, the Permanent Court of International Justice, political activities, the Upper Silesian settlement, financial and economic work, the financial organisation of the League and allocation of expenses, disarmament, health, mandates, transit, minorities, the administration of Danzig and the Saar, intellectual co-operation, and humanitarian activities.

November 1923.

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The Financial Reconstruction of Austria

INTRODUCTION

"The Assembly notes with great satisfaction the success of the most notable effort of economic reconstruction since the war."

These were the terms in which the Fourth Assembly of the League of Nations unanimously described the work of financial reconstruction in Austria, carried out under the League scheme which came into force in October 1922. The resolution in which these terms appeared also emphasised the fact that it was only through a scheme based on international co-operation through the League that this result could have been obtained — a scheme comprehensive in its scope, worked out in full technical detail by the League's experts, and enforced by control exercised through a high officer of the League. It noted the remarkable effect of re-established confidence and expressed its satisfaction that the technical organisations and the rest of the mechanism of the League had proved sufficiently adaptable and efficient for a task of such magnitude and complexity.

Austria, after definitely failing to save herself unaided and after drifting to the edge of chaos and destitution, is being brought back by consistent and effective international action. For three years Austria had been kept precariously alive. She had lived painfully on public and private charity and on the losses of foreigners who had either speculated in the crown or accepted the crown in payment for their goods. Twenty-five million pounds sterling of public money had been lent and become to all appearances an irretrievably

bad debt. Some 40 million pounds had been lost by those who had invested in or accepted the crown in payment. Large charitable funds had also been poured in. All this money had been consumed for current needs. There had been no reconstruction. On the contrary, Austria's financial position had become worse than ever; and all these sources of help had come to an end. The springs of public and private charity had dried up. The crown had dropped to one fifteen-thousandth part of its gold value and was still falling precipitately. It was clear that it could not long continue to be accepted in payment by foreigners. Austria's public expenditure was at least twice her revenue. She was faced with the vital necessity of purchasing large imports of food and raw materials during the autumn and winter—and she had no resources from which to pay for them. There seemed no escape from destitution, starvation, riots, and perhaps revolution, with incalculable foreign complications.

It was in this desperate crisis of her fate that Austria's case finally came before the League. Fortunately, the League had already, before it had the power or authority to act, carefully studied the Austrian position with the aid of an expert commission in Vienna. The Council provided the necessary political authority, the Financial Committee of the League provided the required expert advice, and in five weeks a comprehensive scheme was framed, signed, and launched, with the notable results which are subsequently described, and which prompted the resolution adopted by the Assembly.

The contrast is interesting. In the three years after the war, some seventy-five millions sterling of foreign money was lost in Austria and at the end her financial position was worse than ever. During the subsequent two or three years there is good prospect that Austria will not only have been kept alive, but will have been restored and that

the cost to foreign countries assisting in the scheme will have been nothing; for if all continues to go well, Austria's own assets will meet the service of the foreign loans which have been accorded her and the countries guaranteeing the loan will not be called upon. The difference between separate, piecemeal assistance given without control or an organised plan, and international co-operation comprising complete and comprehensive reconstruction may be expressed in the following way :

Cost 75 millions sterling — result nil.

Cost nil — result restoration.

FIRST PERIOD

ORIGIN AND CHARACTER OF THE SCHEME

League's enquiry in 1921. — The League of Nations was first asked to study the problem of the restoration of Austria in March 1921, when it was informed by the Governments of Great Britain, France, Italy and Japan that they had decided to release for a period of years to be determined later their liens in respect of all claims against Austria, whether for relief credits, réparation obligations or the costs of the armies of occupation, on condition that other interested Governments would agree to a similar postponement and that Austria would be prepared to place the administration of assets in the hands of the League.

The Financial Committee, after sending a delegation to Vienna which studied the position on the spot, recommended a far-reaching and detailed scheme which was approved by the Council and forwarded to the Supreme Council of the Allies on June 3rd, 1921. It included internal reforms, sufficient credits, a central control of these credits to ensure that they were used so as to assist and secure the internal reform and the release of assets.

The scheme was never put into operation on account of delay in obtaining the consent of the 13 other Governments necessary to free the assets.

The Early Months of 1922. — By February 1922 Austria's needs had become imperative and a collapse was imminent.

Great Britain, France, Italy and Czechoslovakia came to the rescue with advances from public funds. Great Britain advanced £2,250,000, France and Italy made provision for the advance of 55 million francs and 70 million lire respectively; Czechoslovakia arranged to supply 500 million Czech crowns. Of these sums the British advance was immediately expended, but considerable balances of the French and Italian grants and a smaller proportion of the Czechoslovak grant remained available (as will be seen below) to assist the initial stages of the new scheme.

Thus an actual collapse was arrested in the first half of the year; but the advances granted independently by several Governments and subject to no central control were consumed for current needs and served no further purpose.

Austria's financial disorganisation proceeded. The crown was, in August, worth only 1/10th of its value six months before, only about 1/100th of its value a year before and only 1/15,000th of its gold value.!

By this time all the countries concerned had agreed to suspend their liens on Austria's assets to enable her to raise a loan. But it was too late. The yield of these assets was quite sufficient, so long as it continued, to provide the interest of a large loan. But no revenues could be relied upon if Austria fell into social and political chaos, and of this there was by this date the most serious and imminent danger.

Second Reference to the League. — On August 15th, the Supreme Council of the Allied Powers, referred the Austrian situation to the League of Nations for investigation and report and stated in reply to the Austrian Government that the Allied Governments were themselves unable to hold out any prospect of further financial assistance and that there was no hope, therefore, unless a scheme could be devised by the League of Nations which would attract money from private sources.

The Council of the League was thus confronted with a complex political and financial problem.

At its first meeting, on August 31st, it at once instructed the Financial Committee to examine the financial aspects.

A few days later it received a statement from Mgr. Seipel, the Austrian Chancellor, who, in making his appeal and in all subsequent meetings of the Council and its Committee, was a member with full and equal rights in accordance with Article 4 of the Covenant. He described Austria's distress, explained the need for a guaranteed loan, stated that Austria was prepared to accept a system of control as a corollary to assistance and expressed the opinion that with such assistance she could soon become economically self-sufficient. He concluded, however, with a grave warning that without such assistance the condition of Austria constituted a serious danger to the peace of the world, which it was the duty of the League of Nations to examine and to avert.

Czechoslovakia was invited to join the Council for this question and a Committee was appointed consisting of five of the representation its own Members which was entrusted with the direction of all further work upon it.

This Austrian Committee consisted of : Earl Balfour (Great Britain); M. Hanotaux (France); Marquis Imperiali (Italy); Dr Benes (Czechoslovakia); M^{sr} Seipel (Austria) (replaced when absent by Dr Grünberger, Austrian Minister for Foreign Affairs).

While obtaining the expert assistance of the Financial and Economic Committees and of the legal experts, this Committee of the Council kept in its own hands the specifically political aspects of the problem and maintained its control over the work of the above committees by considering interim reports as they proceeded with their studies.

Conditions of the Problem. — The Financial Committee was first asked to consider, in consultation with the Austrian

representatives, what measures were required and were practicable to secure budget equilibrium; after what period, with these measures, the result desired should be obtained; and what deficit in terms of gold must be contemplated as inevitable during the intervening period.

The Committee replied that the main economies should be secured by the reform of State industrial enterprises and the reduction in the number of officials. It pointed out that State enterprises involved a loss of 170 million gold crowns a year (£6,800,000). The railways alone involved a loss of 124 millions (£5,700,000), largely because, while wages followed the cost-of-living index, the railway tariffs were only *one-fifth* of what they would be on that basis. The loss should cease within two years and, in view of the important transit trade, the railways should ultimately become a source of profit. With regard to officials, the Committee pointed out that Vienna, as the capital of a country of six millions, had more State employees than when she was the capital of an empire of over 50 millions. It considered that within two years a third of the expenses, amounting to 130 million gold crowns (£6,000,000), ought to be saved. Simultaneously, the yield of taxation must be increased and so balance the budget within two years and thereafter exceed it. In the two years, however, while this process of reducing expenditure and increasing revenue was incomplete, a total deficit of 520 million gold crowns (£24,000,000) was probable, or 650 million gold crowns (£30,000,000), including the sums required to repay the advances made in 1922 and not covered by the postponement arranged for the credits given in earlier years.

The Committee was next asked what securities Austria could offer for private credits. It replied that, apart from the forests and salt monopoly (which were proposed as security for the new Bank of Issue), the proceeds of the Customs and the tobacco monopoly should be available as

security for a loan, and, if necessary, the *impôt foncier* as well. The Customs and tobacco monopoly alone should, with the necessary administrative reforms, give an annual yield of 80 million gold crowns (£3,700,000), which exceeded the estimated cost of the interest and amortisation of even the maximum loan of 650 million gold crowns.

In the unanimous opinion of the Committee, therefore, the securities were ample for the credits required for the transition period, on the vital conditions that the reforms recommended were carried through and that external and internal order were assured.

With the main conditions of the financial problem thus established, the Committee, in answer to further questions from the Austrian Committee of the Council, proceeded to study in detail how the deficit for the two years could be met, and what form of control was required in the interests of the reforms and of the securities on which the loan was to be based.

The Financial Committee, in presenting its report, pointed out that no financial scheme could in itself save Austria. Behind the problem of financial and budget reform remained that of the fundamental economic position. The Committee laid stress on the importance of increasing production and adapting it so as to obtain equilibrium in the trade balance.

The report concluded with the following grave warning :

Austria has for three years been living largely upon public and private loans, which have voluntarily or involuntarily become gifts, upon private charity and upon losses of foreign speculators in the crown. Such resources cannot, in any event, continue and be so used. Austria has been consuming much more than she has produced. The large sums advanced, which should have been used for the re-establishment of her finances and for her economic reconstruction, have been used for current consumption. Any

new advances must be used for the purposes of reform; and within a short time Austria will only be able to consume as much as she produces. The period of reform itself, even if the new credits are forthcoming, will necessarily be a very painful one. The longer it is deferred the more painful it must be. At the best, the conditions of life in Austria must be worse next year, when she is painfully re-establishing her position, than last year, when she was devoting loans intended for that purpose to current consumption without reform.

"The alternative is not between continuing the conditions of life of last year or improving them. It is between enduring a period of perhaps greater hardship than she has known, since 1913 (but with the prospect of real amelioration — thereafter, the happier alternative) or collapsing into a chaos of destitution and starvation to which there is no modern analogy outside Russia.

"There is no hope for Austria unless she is prepared to endure and support an authority which must endorse reforms entailing harder conditions than those at present prevailing, knowing that in this way only can she avoid an even worse fate."

The Economic Committee confined itself to certain preliminary suggestions :

(1) It advised the conclusion of conventions and bilateral agreements between Austria and each of the other Succession States.

(2) It called attention to the need for reform both in Austria's internal economic system and in the conditions of her external trade.

The Final Decision.

Meanwhile, the Austrian Committee of the Council had itself been discussing directly the terms of a political decla-

ration designed to give confidence in the political and economic integrity and independence of Austria and by October 4th, 1922, the complete scheme was concluded and signed. It comprised three Protocols, with their annexes, which included the Financial Committee's report, and the signatures indicated the complete and unreserved assent, to every part of the scheme, of the Governments of Great Britain, France, Italy, Czechoslovakia and Austria.

The first of these Protocols, signed by all the above Powers and open for the signature of all countries, contains a solemn declaration that the signatories will "respect the political independence, the territorial integrity, and the sovereignty of Austria; that they will seek no special or exclusive economic or financial advantage which would compromise that independence; and that if the occasion arises, they will refer the matter to the Council of the League and comply with its decisions." Austria herself, in the same Protocol, entered into corresponding obligations.

Protocol II, with its annexes, stated the conditions of the guarantee of the loan, the obligations of the guaranteeing Governments, and the powers and duties of the Committee of Control composed of representatives of those Governments. It was signed by the four principal guaranteeing Governments and by Austria, and remained open for signature by all other countries able and willing to participate in the financial scheme.

Lastly, Protocol III set out separately the obligations of Austria and the functions of the Commissioner-General, who was to collaborate with her in her programme of reform and its execution. From these three Protocols, taken together, emerges the League's general scheme.

Summary of the Scheme. — The basis of the scheme is the political integrity and economic independence of Austria and the Declaration (Protocol I) designed to ensure it. Aided

by the confidence which it was hoped this Declaration would create, Austria was to commence a programme of reform (including economy in expenditure and increased revenue from taxation) which would ensure the balancing of her budget by the end of 1924. In the meantime, the excess of her expenditure over the revenue available from normal resources during these two years — estimated at a maximum of 650 million gold crowns — was to be met by the proceeds of loans.

These loans would, for the reasons given above, be guaranteed by external Governments, in addition to being secured on assets which (if the reforms were successful and order and stability maintained) would be sufficient without application to the guarantors. A guarantee equal in total to rather more than 80 % of the full sum required was given by Great Britain, France, Italy and Czechoslovakia, the remainder being left for other countries. The subscriber to the loan was therefore to have not only the security of the assigned assets, but also the guarantee of a specified Government for each fraction of his loan — in total a 100 % guarantee. The guaranteeing Governments themselves would be subject to no cash liability so long as the assigned assets proved sufficient for the service of the loan.

With the prospect of resources from these loans, Austria was relieved from the necessity of financing herself by the issue of paper money and so causing the precipitous fall of the crown, which rendered all efforts at budget equilibrium futile, and destroyed any stable basis for the economic life of the country. The scheme therefore assumed and regarded as essential the establishment of the proposed Bank of Issue under certain definite and specified conditions. The Austrian Government was to surrender all right to issue paper money and would not, except with special authorisation, negotiate or conclude loans.

The successful accomplishment of the reform programme, on which both Austria's prosperity and the value of her assets depend, was necessarily a difficult and painful task. The scheme therefore included the appointment of a Commissioner-General, whose duty it would be to ensure, in collaboration with the Austrian Government, that the programme of reforms was carried out and to supervise its execution. He would derive power from his control of the disposal of the loans : "The Austrian Government agreed that it might not dispose of any funds derived from loans... except by authorisation of the Commissioner-General", but the conditions which he might attach to his authorisation "should have no other object than that of assuring the progressive realisation of the programme of reforms and of avoiding any deterioration on the assets assigned for the service of the loan."

The officer entrusted with this responsibility would not be the representative of the guaranteeing Powers; he would be an officer of the League of Nations. He would be appointed by and responsible to the Council of the League, of which the Austrian representative was, when Austrian matters were discussed, a full and equal Member. Indeed, the Council, in approving the scheme, added a resolution that the Commissioner-General should not be drawn from any of the principal guaranteeing countries nor from countries bordering upon Austria. His primary concern would be identical with that of the Austrian Government and the permanent interests of the Austrian people, namely, that the measures to enable Austria to achieve a position of self-supporting independence should be successful; the due maintenance of the value of the securities of the loan would, of course, be a part, but a part only, of the general programme which it would be the duty of the Austrian Government to frame and execute, and his to supervise. The Commissioner-General would live in Vienna. He would report monthly

to the Council of the League. His functions would end as soon as the Council judged that the financial stability of Austria was assured.

In addition to the League's Commissioner-General, there was to be a "Committee of Control of the Guaranteeing Governments". This Committee, of which the Italian member was to be Chairman and the Czechoslovak member Vice-Chairman, was to be formed of the representatives of the guarantors with votes proportionate to the guarantees they had offered, and would watch their special interests. It would not be in permanent session but would meet from time to time, normally at the seat of the League. The approval of this Committee by a two-thirds majority was required to the main conditions under which the loan, the interest and amortisation of which were guaranteed, was to be subscribed; and it would, by the same majority, determine the conditions of the payments should the guarantees actually be called upon. For other purposes, the Committee would work normally by a majority vote. It was to receive the monthly reports presented by the Commissioner-General to the Council; it might ask him for information as to the progress of the reforms, and might make representations to him with regard to safeguarding the interests of the guarantors. If the assigned revenues were insufficient for the service of the loan, it might require the assignment of additional securities.

In exercising these rights, the Committee was to communicate not with the Austrian Government but with the Commissioner-General. The Committee and each guaranteeing State had a right of appeal to the Council *en cas d'abus*.

The rights and powers of both the Commissioner-General and the Committee were carefully defined so as to restrict them to the precise objects in which they were concerned: the execution of the reform programme, the maintenance of

the value of the securities and the avoidance of any infringement of the sovereignty of Austria and the full responsibility of her Government.

The essential features of the Agreement arrived at were thus a programme of financial reform extending over two years; provision to meet the deficit during this period by guaranteed loans; the arrest of the collapse of the crown; the supervision of the Austrian Government's execution of the scheme within carefully defined and restricted limits.

SECOND PERIOD

PRELIMINARY ORGANISATION

(From October 4th, 1922, to February 1st, 1923.)

It will be convenient to summarise the general work of organisation during this period under the following main heads, *viz.* : legislation passed in Austria; foundation of the new Bank of Issue and the financial position up to February 1st, 1923; the institution of control and beginning of reforms; preparatory arrangements for external loans.

Austrian Legislation.

(a) *Reconstruction Law.*

Austria was required by Protocol III to draw up "within one month, in collaboration either with the Commissioner-General or with such provisional delegation of the Council of the League as may be appointed, a programme of reforms

and improvements, to be realised by stages and designed to enable Austria to re-establish a permanent equilibrium of her budget within two years"

The Delegation appointed for this purpose consisted of the members of the League's Financial Committee who had drawn up the main financial scheme. It arrived at Vienna on October 17th, 1922, and (with some rotation of personnel) worked there continuously till December 15th, after which the Commissioner-General, Dr. Zimmerman, took charge.

The Austrian Government drafted a Reconstruction Law including provision for economies (administrative reforms, reorganisation of State enterprises, etc.) and for new taxes (higher Customs duties, consumption taxes, direct taxes and taxes on business transactions). Its terms, as amended after discussion, were agreed with the Delegation and the law was passed by a majority vote on December 3rd, 1922. In addition, a detailed programme showing the maximum expenditure permissible under each main heading and the estimated revenue at different periods till the budget was balanced was agreed between the Delegation and the Government.

The expenditure allowed under this programme was at the annual rate of (1) :

January 1923. . .	569.7 million gold crowns	
July 1923	535.8	—
January 1924. . .	477.9	—
July 1924	438.9	—
December 1924. .	350	—

The estimated revenue receipts in 1924 exceeded the latter figure, but the yield of new taxation was difficult to

(1) Excluding the contribution to local administrations which is compensated by a corresponding increase in the estimate of receipts.

calculate. A margin was therefore allowed, and with this margin the Delegation was satisfied that the programme, if properly executed, was such as to offer a prospect of budget equilibrium by the end of 1924.

(b) *Law to confer Plenary Powers.*

The Austrian Government was also required to "lay before the Austrian Parliament a draft law giving, during two years, to any Government which may then be in power full authority to take all measures within the limits of this programme which in its opinion may be necessary to assure at the end of the period mentioned the re-establishment of budgetary equilibrium without there being any necessity to seek for further approval from Parliament"

This law was necessarily a constitutional law, requiring a two-thirds majority; this involved agreement with the Opposition parties. In the form in which it was ultimately passed, the law created an Extraordinary Cabinet Council, consisting of members of the Government and twenty-six members elected by the National Council so as to give representation to the different political parties in proportion to their numbers. Most measures in execution of the programme could be taken directly by the Government under the Reconstruction Law, but some of the more important measures, as well as any modifications of the programme considered necessary by the Government, had to be approved by this Cabinet Council. These discussions were, however, limited to eight days and in certain cases to three days.

In addition to the above laws, certain subsidiary laws were passed and the Geneva Protocols were ratified.

New Bank of Issue.

Return of Confidence. — It was an essential part of the League's scheme that the issue of paper money by the

Government to meet its expenditure should cease and that for this purpose a new Bank of Issue, independent of the Government, should be created and should alone have the right of note issue.

The necessary legislation, including the new statutes of the Bank, was passed by Parliament on November 14th, 1922. The inflationary issue of notes by the Government ceased on November 18th. The capital of 30 million gold crowns required was duly subscribed and the new Bank opened its doors on January 2nd, 1923.

The Bank is under the control of a board which includes no official, and with the exception of its President, Dr. Reisch, all its members are elected by the shareholders.

The operations of the Bank are purely commercial. Neither the Federal Government, the provinces nor the municipalities issue paper money or can have recourse directly or indirectly to the funds of the Bank for their own needs, without paying in gold or securities the exchange value of the notes received. The issue of notes will be kept within fixed limits, the metallic cover being increased by stages from 20 to 33.3%; this cover does not apply, however, to that part of the fiduciary circulation which represents loans previously made to the State by the Austro-Hungarian Bank.

The first balance-sheet of the new bank showed a satisfactory position.

Owing to the return of confidence, the supply of foreign currency—at a rate of exchange which, within narrow limits, remained stable—proved largely in excess of the demand. The “flight from the crown” was replaced by a return “flight to the crown”. Foreign securities and currencies previously hoarded were brought back and converted into crowns.

Commercial operations previously conducted in foreign exchange were again conducted in Austrian crowns—now.

become one of the most stable currencies in Europe; and the gold value of the currency in circulation proved inadequate for the requirements of the market. Additional notes were printed, but, unlike those printed up to November 18th, 1922, every additional note was covered by its full value in additional reserve of gold or foreign currency. The result was that each of the 4,000 milliard notes circulating in January was better secured than the 3,000 milliards in November; and the value of the reserves of the Devisen-Zentrale rose from £700,000 in October to no less than £4,000,000 by the end of the year.

Financial Position. — In the period now being summarised, the expenditure of the Austrian Government was met entirely by internal resources.

Up to November 18th, 1922, the old inflationary methods continued, the Government borrowing from the Bank, which increased correspondingly the issue of notes. Owing to the new confidence resulting from the League scheme, this was possible without any of the resulting evils of inflation—that is, without any fall in the exchange value or in the purchasing power of the crown. Indeed, an increase in the note issue was necessary if the crown were not to *rise* considerably in value (an event which would have had disastrous economic results); for the previous fall in exchange value had altogether outrun the increase in the notes, and at the beginning of September 1922 the gold value of the total Austrian currency was only 10% of its gold value in 1919.

Inflation could not, however, have continued without producing its normal ill-effects, and, when it stopped on November 18th, internal loans became necessary. The Government successfully raised by January 16th, 1923, 50 million gold crowns on six-month 8% Treasury Bonds quoted in dollars and secured on the gross receipts of the Customs and tobacco monopoly, in addition to the 30 million

gold crowns raised as capital for the new Bank of Issue and the 18 millions produced by the forced loan.

With the aid of these loans and an operation based upon 7 1/2 million gold crowns' worth of certain gold in possession of the Government, the deficit was covered till the end of January. There remained the balance of credits advanced in 1922 by the Governments of France, Italy and Czechoslovakia, which amounted together to about 630 milliards of paper crowns. It was with these funds and certain other limited resources that the Austrian Government had to meet its further requirements until the proceeds of external short-term loans were available.

Control and Reforms. — The first measures of control were instituted by the Delegation, which arrived at Vienna on October 18th, 1922. Dr. Zimmerman, Burgomaster of Rotterdam, who was appointed Commissioner-General, arrived at Vienna on December 15th, and began his control on December 16th. He immediately took up in detail the question of reform with the Austrian Government.

Before his arrival, the Delegation had agreed with the Austrian Government upon a detailed scheme to enable expenditure to be reduced at regular intervals, and providing for the reduction of the total budget in 1923 to a sum of 350 million gold crowns. The first stage in this scheme involved an average monthly deficit of 339 milliards of paper crowns during the period January to June 1923. As the results of administrative reforms could not be expected to have full effect upon the budget during the early months, Dr. Zimmerman agreed to a budget for the month of January only, which provided for a deficit of 404 milliards. With his advice, the budget estimates for 1923 were prepared by the Austrian Government and have been kept strictly within the limits laid down by the Delegation.

The nature and results of the Control as finally instituted are described in the third Chapter.

Preparatory Arrangements for External Loans.

At the end of this period the Commission of Control authorised the issue of a short-term loan, amounting to a value of £ 3 1/2 million sterling (under conditions described in the next chapter), in order to cover the period during which the more difficult arrangements for the main long-term loan were being completed.

The position at this moment is conveniently summarised in the following resolutions passed by the Council on February 1st, 1923.

(1) The Council recognises and appreciates the substantial results already obtained in carrying out the reforms recommended in the Geneva Protocols. Legislation has been passed to secure the execution of the reconstruction programme; a new Bank of Issue has been founded, inflation has ceased, the crown has been stabilised, a preliminary and considerable reduction in the number of officials has taken place, while the returns from certain State enterprises and important revenue-producing duties have been increased. Finally, the 1923 budget has been established within the limits prescribed by the League of Nations.

(2) The Council notes with satisfaction that the Austrian Government and the Austrian public, realising the promise which it gives for the future of Austria, have co-operated in the accomplishment of this programme. The confidence of the public has been shown in the subscription of the necessary capital of the new Bank of Issue and of over fifty million gold crowns to an internal loan before any external loans have been raised. Moreover, there has been an increase in three months of more than 500% in savings and

bank deposits and a large increase in the foreign currencies which serve as a cover for the new Bank of Issue.

(3) These striking facts have confirmed the Council in its belief that the scheme embodied in the Geneva Protocols gives ground for confident hope in the final reconstruction of Austria on condition that the Austrian Government continues to show unrelaxing determination and receives the confidence and continuous support of the people.

(4) The Council notes these results and signs of a return of national self-confidence with the greater satisfaction because it was foreseen by the League of Nations in September 1922 that the effort required from Austria for the maintenance of her economic independence and the restoration of her prosperity required from the whole nation a spirit of sacrifice and self-denial during the necessary transition period while the reform programme is being put in force.

(5) The Council is in complete agreement with the Commissioner-General, of whose firm action and well-advised recommendations it desires to express its appreciation and approval. The Council fully agrees with him that it is essential that the financial reconstruction of Austria and budget equilibrium should within two years be an accomplished fact and that the Austrian Government, with the support of the Austrian people, should proceed in the path of reform with rapidity and determination.

(6) The Council is convinced that, in so far as measures of reform are submitted under the constitutional law to the special Cabinet Council, this arrangement should not be used to render less effective the decisions required for the rapid execution of the programme of reform. The Council relies upon the spirit of co-operation and patriotism in the members of the Cabinet Council to assist the Government effectively in the heavy task which it has courageously undertaken. It is only by unceasing energy and united action

by using their rights with a due sense of responsibility, and by giving to and obtaining for the Government all powers which may be necessary that they will crown their work with success.

(7) While recognising the considerable reduction in the number of officials which has already been achieved, the Council ought to draw attention to the passage of the Commissioner-General's report in which he points out that a satisfactory continuation of this reduction will only be possible if a radical reorganisation and simplification of the administrative system is undertaken and if the reforms are carried out with unrelaxing determination and, so far as possible, by the concentration of administrative powers in a single authority.

(8) Finally, the Council regards it as essential that the Austrian Government, with the support of every section and party of the nation, and with the assistance of the Commissioner-General, should set itself to give prompt and adequate effect to the measures of reform contemplated in the Geneva Protocols, which were dictated solely by the desire to safeguard the interests of Austria herself and to restore her to complete prosperity.

THIRD PERIOD

THE RAISING OF FOREIGN LOANS

(From February 1st, 1923, to June 15th, 1923.)

Short-term Loan, February 1923. — The necessity for raising short-term foreign credits pending the issue of a long-term loan had been recognised in the Protocols, and, on receiving the consent of the Committee of Control, the

Austrian Government immediately negotiated an issue of yearling Treasury Bills amounting to about £ 3 1/2 millions, secured in the first place upon the revenues from the Customs and tobacco monopoly and redeemable out of the subsequent long-term loan.

Some of the guarantees expected for the main loan were, through delay in ratification, not available at this time. The original guarantors, *i.e.* Great Britain, France, Italy, and Czechoslovakia, therefore backed the issue by ensuring each 24.5 % of the service, Belgium undertaking the remaining 2 %. The mechanism of the guarantee was similar to that of the much more important long-term loan which will be described later. The short-term loan was placed as follows :

		£ STERLING
In London	£ 1,800,000 sterling	1,800,000
— Paris	60,000,000 French francs .	800,000
— Amsterdam	6,000,000 Dutch florins .	500,000
— Brussels	8,500,000 Belgian francs .	100,000
— Stockholm	1,800,000 Swedish crowns .	100,000
— Switzerland	5,000,000 Swiss francs .	200,000
	Total . . .	£ 3,500,000

The majority of the blocks bore 7-7 1/2 % annual interest, the French block 8 %, the Swiss 6 %; the English block and the Netherlands block were open to public subscription; the others were taken up directly by various banking syndicates. In England, that is to say on the market where more than half the loan was offered, it was over-subscribed by almost twice the amount by the public.

The success of the internal Austrian loans reflected the return of confidence in Austria itself. The success of these first external loans showed similarly that the confidence of other countries in the recovery of Austria was beginning to

return; it also showed that the system of guaranteed loans provided for in the Protocols was practicable.

The proceeds, "gradually" released as required by the Commissioner General from his controlled account, carried the Austrian Government through the first half of the year until the long-term loan was issued.

Reform in Austria. — Meanwhile, the work of financial and administrative reconstruction was pursued in Austria.

Mechanism of Control.

The yield of the Austrian Customs and tobacco monopoly (assets assigned as security for foreign loans) is paid into a separate account controlled by the Commissioner-General, who, after retaining the sums required for the service of loans, gives back the balance to the Austrian Government.

On the basis of the gross receipts from these two sources of revenue during the first four months of 1923, the annual gross yield is equivalent to more than 150 million gold crowns and therefore much more than adequate as security for the maximum external loan of 650 million gold crowns contemplated under the Protocols.

The proceeds of all loans are paid into another controlled account from which the Commissioner-General only releases sums which he is satisfied are necessarily required by the Austrian Government in order to meet the monthly deficits on budget programmes which he has previously approved. Every month the Austrian Government has laid before the Commissioner-General its estimates of receipts and expenditure for the following month. These are checked and approved by him, and he thus forms a decision as to the amounts which he is prepared to release. On several

occasions he has insisted that provisional estimates should be cut down. He has never allowed the actual deficits to exceed the estimates which he has once approved, and by refusing to release sums beyond those required under the monthly estimates submitted to him he has been able to exercise a decisive influence over the reform of public finance and administration.

The position of the new Bank of Issue continued to be sound. The gold and currency reserve increased more than the liabilities, and the cover is nearly 30% and much higher than is required under the Statutes. On the recommendation of Dr. Zimmerman, the Austrian Government appointed M. Schnyder, formerly Vice-President of the National Bank of Switzerland, as adviser to the Bank, with special powers which were secured by an amendment of the Statutes.

Budget Position.

The agreement concluded between the Provisional Delegation and the Austrian Government contained the half-yearly budget programmes which, it was estimated, would bring about budget equilibrium by the end of 1924.

The budgets for March, April, May and June were well within the programme of reform—a fact which was noted by the Council with great satisfaction at its meeting in April.

In almost every one of his reports, the Commissioner-General has laid stress upon the fact that budget reform is dependent upon radical administrative reorganisation. The more important administrative reforms which have so far been carried out are the following : A control by the Austrian Treasury over the spending departments, whose monthly estimates are checked and not allowed to be exceeded; the winding-up of certain minor offices; the suppression of temporary advances to the provinces; the abolition of reduced

railway rates for officials; the reduction in the number of Ministries from ten to seven.

Administrative Reforms and Reduction of the Number of Officials.

The reduction in the number of officials has proceeded with varying success. It had been agreed between the Provisional Delegation and the Austrian Government that, in all, 100,000 officials should be dismissed in the following stages : 25,000 before December 31st, 1922, and 25,000 during each of the three succeeding periods of six months. Up to December 31st the programme was practically carried out to time, but on May 5th only 35,171 officials had been dismissed. This, as the Commissioner-General pointed out, is a part of the reform programme which becomes necessarily more difficult as it approaches completion. (Subsequent figures brought the number of dismissed to 44,871 by July 7th, 1923.)

The problem of the dismissal of officials is intimately bound up with that of the reorganisation of the State railways, the seriousness of which was pointed out by the Financial Committee of the League when the reconstruction scheme was framed. In his third report, the Commissioner-General pointed out that the subventions paid to the various railways were alone equal to the estimated deficit on the 1923 budget. On his advice, the Austrian Government appointed Sir William Acworth to study this problem, and he is assisted by a Swiss railway expert. With regard to the railway problem, the Council took the following resolution :

"In particular, the Council desires to call attention to the special urgency of rapid economy in the railway administration, the deficit of which must properly be regarded as the centre of the whole Austrian financial problem. The Council is glad to learn that the Austrian Government has

taken the first steps towards placing the administration upon a commercial basis, and for this purpose is obtaining the best expert advice. The Council hopes that this comprehensive scheme will be proceeded with as rapidly as possible but that, in the meantime and without waiting for its completion, the many obvious and practicable measures of reform that can be now taken should be taken at once."

General Economic and Financial Situation.

With the beginning of the reform scheme and the stabilisation of the crown, there occurred during January and February a great increase in unemployment, partly due to the fact that Austrian industry was suddenly deprived of the artificial stimulant of a continuously falling exchange. But the number, which rose to 170,000 in February, fell to 122,000 on May 15th, and in his May report the Commissioner-General noted other slight indications of an economic revival. Throughout, the Commissioner-General has laid stress upon the importance of attracting foreign capital for private enterprise and developing production.

The improvement in the economic situation is shown principally in the rapid decrease in the number of unemployed between February and June. In February there were 170,000 unemployed in receipt of doles. The number of unemployed at the end of June had fallen to 95,000; about 65,000 in Vienna as compared with nearly 100,000 four months previously. There is an increased activity in many industries. Large purchases of raw materials abroad, though they have depressed the commercial balance sheet, are a favourable symptom of a period of economic revival.

Month by month the Commissioner-General has recorded the favourable effect which the reform of public finance has had upon the general financial life of the country; of this, the two most striking indications are, first, the rise in

the deposits in banks and savings banks; and, secondly, the remarkable stability of the Austrian crown, which has become one of the most stable currencies in Europe after being the least stable outside Russia.

In these circumstances the Austrian Government began negotiations for the long-term loan.

THE LONG-TERM LOAN.

Financial Operations.

In March the Austrian Government appointed a Committee, composed of the Austrian Minister Baron Franckenstein, M. Peter Bark, and Mr. F. H. Nixon.

The preliminary negotiations of this Committee showed that the moment was favourable for the issue of the loan and that there were great advantages in obtaining the whole, or practically the whole, in one set of simultaneous issues.

The Austrian Government therefore applied to the Committee of Control, through Dr. Zimmerman, for authority to issue the whole loan contemplated under the Protocols, subject only to any reduction that might prove necessary if the guarantees did not suffice to cover 100% of the full sum.

This authority was given on April 16th, when the following conditions were at the same time approved :

The loan was to be a 20-year loan, redeemable by June 1943. Trustees (1) were to be appointed by the Council to watch the special interests of the bondholder.

(1) The Council appointed as trustees M. Albert A. Janssen (Chairman of the Financial Committee of the League of Nations and President of the National Bank of Belgium), M. Wallenberg (President of the Enskilda Bank, Stockholm) and Mr. Jay (of Messrs. Morgan, Harjes & Company).

The guaranteeing Governments were to deposit collateral with the National Bank of Switzerland, which was to hold it on behalf of the trustees. The loan was to be issued, as far as possible simultaneously, about the beginning of June, in the different subscribing countries in the national currencies of those countries, except in Austria, where the issue was to be on a gold basis. The guarantees available sufficed to give 100% guarantee for a loan on this basis not exceeding 585 million gold crowns in effective yield plus expenses, the guarantee being in the following proportions :

Great Britain	24.5 %
France	24.5 %
Czechoslovakia.	24.5 %
Italy	20.5 %
Belgium.	2 %
Sweden	2 %
Holland.	1 %
Denmark	1 %

In addition to the above sum, Austria will have at its disposal 20 million gold crowns which the Swiss Government is advancing. The Spanish Government, whose guarantee was not ratified in time to be included in the main loan, is considering a similar advance of about 26 million gold crowns. If this is duly made, Austria will have received approximately 630 million gold crowns (exclusive of expenses) or within 3% of the total sum originally contemplated.

Subscriptions to the loan were opened in London, New York, Stockholm, Amsterdam and Vienna early in June. Later on followed the subscriptions in Switzerland, Rome and Brussels. The London issue, which amounted to fourteen million pounds, was covered more than three times over within two hours, and the New York issue, amounting to twenty-five million dollars, was covered several times over

in a quarter of an hour. The issues in Stockholm, Amsterdam, Switzerland and Rome were also covered several times over. The subsequent prices of the loan, however, which have hovered round par in London and New York, show that it would not have been safe to attempt an issue on more advantageous terms. At the same time, the event has proved that the loan system laid down by the protocols, though condemned in various quarters as too intricate and unlikely to inspire confidence in the investing public, was secure and practical.

The following are the details of the issues :

MARKET	FIRM CONDUCTING the flotation	TOTAL (nominal)	RATE of interest	RATE of issue
London . . .	Bank of England.	£ 14,000,000	6 %	80 %
New York . .	J. P. Morgan & Co.	\$ 25,000,000	7 %	90 %
Stockholm . .	Stockholm's Enskilda Bank.	13,110,000 Swedish crowns	6 %	80 %
Amsterdam . .	Hope & Co.	Guld. 3,000,000	6 %	80 %
Brussels . . .	Société générale de Belgique.	25,000,000 Belgian francs	6 %	80 %
Switzerland .	Union financière de Genève.	25,000,000 Swiss francs	6 %	80 %
Austria . . .	Postsparkassa.	\$ 13,000,000	7 %	93 %
Paris	Banque de Paris et des Pays-Bas.	170,000,000 French francs	6½ %	84 %
Rome	Banca d'Italia.	200,000,000 lire	6½ %	93 %
Prague	Czechoslovak Government.	60,000,000 gold crowns	—	—

The British, French, Italian and Czechoslovak Governments, which in 1921 and 1922 gave short-term credits to Austria, have converted them by accepting bonds of the long-term loan, and the Austrian assets upon which these

advances were secured have been restored to the Austrian Government.

The short-term loan floated by the Austrian Government in February 1923 (approximately £ 3,500,000) has also been largely converted. Bond-holders of the short-term loan were granted the option of converting into the long-term loan, and the majority have made use of this right. The Austrian Government has repaid the bonds of the short-term loan which were not converted. The whole of the short-term loan has accordingly been repaid.

The long-term loan will yield the Austrian Government (*i. e.* in addition to the repayment of the obligations incurred to the Allied Governments in 1922 and the repayment of the short-term loans) new money amounting to more than 326 million gold crowns, or 4,702 milliard paper crowns. To this sum should be added a further 20 million gold crowns which is being lent directly to the Austrian Government by the Swiss Government, and 26 million gold crowns which is the anticipated yield of the Spanish guarantee. Thus a total sum of 372 million gold crowns, or 5,357 milliard paper crowns, of new money will be available. This should be sufficient to meet the needs of the Austrian Treasury up to the end of 1924, provided the State finances continue to be managed in accordance with the programme of reform framed by the provisional delegation.

The large long-term loan has therefore been successfully concluded. Based upon the guarantees of nine different Governments, also secured by assets under the control of an international officer appointed by the League of Nations, utilised for a financial scheme of reconstruction in which twelve Governments are actively participating and for which the League as a whole is responsible, raised in at least nine financial markets in different currencies but upon the same securities, it is unique in the financial operations of the world.

CONCLUSION

With its successful conclusion the external world has done its share of the task set by the Protocols of Geneva. The main burden of the difficult task that still remains—the successful completion within the next one and a-half years of the reforms which are to leave Austria's budget balanced and her financial position stable and self-supporting—must fall upon Austria herself and upon the Austrian Government, with the support and assistance of the Commissioner-General, Dr. Zimmerman.

The Council has expressed its congratulations and appreciation of the efforts made by many persons in many countries which have resulted in the remarkable progress so far achieved. In particular, while conveying its deep appreciation of the work already accomplished by the Austrian Government and people and by Dr. Zimmerman and his staff, it expressed the confident hope that they would continue to a successful conclusion the arduous task of financial and administrative reform, which still remained to be accomplished.

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February 1924.

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THE ORGANISATION FOR COMMUNICATIONS AND TRANSIT

CHAPTER I. — PRINCIPLES AND CONSTITUTION OF THE ORGANISATION

According to Article 23, paragraph (e), of the Covenant of the League of Nations, the States Members of the League "will make provision to secure and maintain freedom of communications and of transit." To carry out the obligations imposed by this Article, the League has gradually built up its special Organisation for Communications and Transit.

At the outset it was the League's political activities which aroused the most interest and primarily justified its existence in the eyes of public opinion. But Article 23 of the Covenant proves it was also apparent from the beginning to the founders of the League that to-day it is impossible to solve political problems apart from their economic aspect, and that the question of international transport plays a great and increasing part in inter-State relations. Questions of transit rights, access to the sea, or the seizure of a port or a railway have frequently been and threaten more frequently to become the cause of international difficulties which, if not promptly dealt with while still in the technical stage, may inflame passions and become the source of political conflict, possibly of war.

If it had omitted to deal with the problem of international transport, the League would not only have failed in its object of carrying the principle of co-operation into every field of international life—in this case into a field where co-operation was so necessary that it had begun to

be applied even before the League was set up—but might also have failed in its fundamental task of safeguarding the world's peace.

This fact was well understood by the framers of the Covenant. They saw that the war had accentuated the economic interdependence of the nations of the world, and thus made questions of international transport by land and water a matter of great political importance and urgency. This was particularly the case in Europe, where large areas which had previously been economic units were broken up into a number of national States too small to be self-sufficient, but determined to retain their political independence. To prevent the new order of things having unfortunate consequences in the economic field, and to ensure the peace of the world, it was felt necessary in the interests of all States to organise the economic relations of States, and particularly those concerning questions of transport, on an international basis, as part of the machinery of the League of Nations.

Thus the League was at once faced with the problem of setting up an organisation to deal with these matters. The period allowed for this process had been defined in the Peace Treaties, and the first Assembly of the League was therefore obliged to give the organisation its final form. A temporary committee appointed by the Peace Conference Committee for the study of the international regime of ports, waterways, and railways had already made a preliminary draft of its constitution. The following pages will give a brief account of the work of this technical organisation, which, although young, is the oldest in the League. But it is first desirable to explain its constitution, particularly as it has to some extent served as a type on which the various technical organisations of the League have been modelled.

The idea on which the constitution of the Organisation for Communications and Transit is based is the following : Problems that are technical in origin and relatively easy

to solve, so long as they are merely technical and do not become sources of political conflict, should be dealt with on their merits by technical experts who are professionally concerned with such matters, that is not by irresponsible persons appointed independently of the Governments concerned, but by the officials who in their respective countries are responsible for the transport questions. These officials are brought into direct contact with each other and charged with jointly studying the questions at issue, proposing solutions, arriving at a *modus vivendi*, and watching over the way it works in practice—all this so far as possible apart from all political considerations. It is hoped that a common international opinion and a tradition of conciliation in international technical matters will gradually be formed, which in their turn will influence the transaction of technical business within each country.

Two bodies were set up to carry out this direct collaboration between technical experts from different countries. One body, called the General Conference, meets at long intervals and is composed of technical representatives of all the States Members of the League and, in certain circumstances, all other States. Two General Conferences have hitherto been held, one at Barcelona in March-April 1921, the other at Geneva in November-December 1923. The other body, the Advisory and Technical Committee on Communications and Transit, is considerably smaller and meets frequently in the intervals between the General Conferences. It acts somewhat as a board of directors and is composed of technical experts appointed by a few countries, which have either been elected by the General Conference or are permanently represented on the Council of the League. The Advisory Committee thus in a way represents the whole body of States Members of the Transit Organisation.

The General Conference may be summoned either by the Council of the League or at the request of half the States

members of the League, voting being on the same basis as in the League Assembly. The Conference may, moreover, admit on a footing of equality by a two-thirds vote States not members of the League. It may also admit to membership in an advisory capacity representatives of States not members of the League or of international organisations interested in its work (River Commissions, the International Union of Railway Administrations, the International Chamber of Commerce, etc.).

The League Council may appoint the president of the General Conference. Apart from this, the General Conference is completely independent in the conduct of its business. The Secretariat of the League performs its secretarial offices as it does for the other technical organisations of the League and for the Council and Assembly. In general, the Conference may by a two-thirds vote adopt draft resolutions to be submitted to the Council or Assembly, or recommendations to be forwarded to the various States concerned, or general conventions. The texts of conventions that have been adopted may be signed immediately by those representatives who have full powers for the purpose from their Governments. In other cases the protocol of signature is declared open as from the end of the Conference.

The Council and Assembly possess certain powers of control in regard to the results of the discussions in the Conference and the communication of these results to the Governments. By a unanimous vote the Council or Assembly may exercise a kind of veto, but only should the Conference have exceeded its powers or failed to comply with the rules for its agenda.

The composition of the Advisory and Technical Committee has been described above, but it should be added that the Committee may also enlist the services of any experts it may think necessary to assist in its work. Such experts may be appointed either for some special inves-

tigation, or for assisting the Committee in the ordinary course of its work on a certain number of questions. The experts sit only in an advisory capacity. With the development of the activities of the Organisation for Communications and Transit, which deals with varied and highly specialised problems, the importance of experts steadily increases. The Advisory and Technical Committee frequently appoints sub-committees partly composed of its own members and partly of specialists appointed by it for the purpose. In this way the Advisory and Technical Committee has established a sub-committee on transport by rail, a sub-committee on transport by water and several sub-committees of enquiry. The Committee, apart from its ordinary activities in preparing the work of the General Conference, acting as the supervisory agent of the Conference in the application of its decisions, and advising the Council and Assembly on transit questions, may also play the part of mediator in technical disputes between States. A carefully defined procedure has been laid down for this purpose, giving full guarantees to all States whether members or not of the League. Finally, the Committee is in direct correspondence with the various national ministries dealing with transit matters, conducting this correspondence in each particular case in accordance with the practice of the country in question, and it maintains direct relations with all international bodies concerned with communications and transit.

The General Conference and the Advisory and Technical Committee possess entire autonomy so far as their internal affairs are concerned. They may place what subjects they like on their agenda and carry on their work as they think best, subject only to the authorities by whom they are appointed. Nevertheless, the following system of control by the directing organisations of the League (that is to say, the Council and Assembly) was established

by an Assembly resolution of December 8th, 1920, in order to ensure that the work of the League of Nations as a whole is smoothly and efficiently performed, and more especially to guard against the danger of a technical organisation exceeding its powers or embarking on questions that are not of a purely technical character.

Before any decision taken by a technical organisation, whether conference or committee, is communicated to the Governments, the Council has the right either to forbid such communication being made, or to request the organisation in question to reconsider the matter. The Assembly is informed whenever this right is exercised. It should be pointed out that, as the Council acts only by a unanimous vote, it is obvious that such a right cannot lead to a renewal of technical discussions in the Council, but merely has the effect of preventing improper communications to Governments in cases where the Council is unanimously of opinion that such a communication is not in accordance with the objects of the technical organisation or of the League itself.

Apart from the ordinary General Conference, the Council of the League may, if requested to do so by the Advisory and Technical Committee, convene special conferences, either of representatives of Governments or of experts, for the purpose of dealing with any given question. For instance, before the meeting of the First Assembly, a Conference on Passports, Customs Formalities and Through Tickets met at the request of the Provisional Committee for Communications and Transit. Again, in the case of questions which only concern a given group of States, "partial" conferences, organised in the same manner as the General Conference, but including representatives only of the States concerned, may be convened in the same way as the General Conference. To prevent any error or misunderstanding, the agenda of such conferences is communi-

cated to all States Members of the League, and should a certain number of States which have not been invited to the partial conferences so request, a General Conference may be held in place of the partial conference.

CHAPTER II. — THE PROVISIONAL COMMITTEE FOR COMMUNICATIONS AND TRANSIT, AND THE CONFERENCE ON PASSPORTS.

Before the First Assembly met and before there had been an opportunity of setting up the Organisation for Communications and Transit on the principles explained in the previous chapter, a provisional organisation had been working from January 1920 up to the meeting of the first General Conference in March 1921. This organisation consisted of the Provisional Committee for Communications and Transit, which was recognised by the Council of the League of Nations at its second session, and which was formed out of the old Peace Conference General Committee on Ports, Waterways and Railways, with the addition of certain States which were not represented at the Peace Conference. This Committee sat in Paris during the whole of the winter of 1920 and prepared the plans of the permanent organisation, as well as the agenda of the first General Conference. It also took a step that resulted in the meeting of the first important conference of experts, that is to say, the Conference on Passports, Customs Formalities and Through Tickets, which met in Paris in October 1920.

This Conference was summoned by the Council as the result of many complaints against the obstacles to international passenger traffic in general and the passport system as it then existed, in particular. All European States and

also China, Japan and Uruguay were represented, mainly by high officials of the police and Customs services. In less than a week the Conference succeeded in framing a series of recommendations which provided more especially for the establishment of a single type of passport, for considerable reductions in the charges made for passports and visas, and for regulations extending the period of validity of passports and visas. They also effected a simplification of the formalities necessary for obtaining visas and for crossing frontiers. An enquiry which was carried out a year after the Conference showed that in most cases the recommendations of the Conference had been carried out and that a considerable improvement had been made, an improvement which sometimes extended beyond the proposals of the Conference. A certain number of States sent representatives to a special conference at Gratz in January 1922, and concluded a convention on the basis of the texts adopted by the Conference on Passports; and when the International Economic Conference, which met at Genoa in April 1922, again considered the question, it confined itself to taking note of the results of that enquiry and asking all States to comply with the recommendations of the Paris Conference of October 1920.

The Provisional Committee for Communications and Transit prepared the way for the permanent organisation by firmly establishing its position as an organ of contact and co-ordination between the various other international bodies dealing with transport questions. This has always been one of the characteristics of the League Organisation for Communications and Transit, and its importance in this respect is steadily increasing. Soon after it was formed the Committee was represented at the first Conference for the Re-establishment of Postal, Telegraph and Telephone Services, which was held at Paris in July 1919 under the auspices of the Supreme Economic Council, and was soon

afterwards represented on the River Commissions of the Elbe, Oder, Rhine and Danube, which were set up or reconstituted by the treaties of peace. The Committee admitted to its meetings, in an advisory capacity, representatives of such of these organisations as were of a permanent nature. In the same way contact has since been established with the International Commission on Aerial Navigation, the International Union of Railway Administrations, the International Chamber of Commerce, and, of course, with the other technical organisations of the League, so as to ensure an easier and more speedy settlement of questions which either concern several transit organisations or are connected both with transport and other technical subjects. Further instances will be given of this form of *liaison* in the chapter on the work of the Technical and Advisory Committee.

CHAPTER III. — THE FIRST GENERAL CONFERENCE ON COMMUNICATIONS AND TRANSIT

The first General Conference on Communications and Transit, held at Barcelona in accordance with the decisions of the First Assembly, during March and April 1921, did not attempt to deal with the whole question of international transport. The ultimate object of the Transport Organisation is to create the stability and continuity in the channels of traffic that are required by the interests of trade, as well as to safeguard international commerce by a system of legal guarantees that would free it from the effects of political rivalries and economic reprisals. Measures of this sort would be in conformity with the stipulations of Article 23 of the Covenant, would tend to increase the economic output of the world and diminish the cost of living, and would be a first step toward unifying international

transport. They would tend to lessen international friction and the risk of war, by giving specific guarantee to States which urgently require some form of specific assurance from other States that the import and export traffic essential to their existence would be allowed to circulate freely and regularly.

The Barcelona Conference was not able in six weeks of discussion to carry out the whole of this programme, or to draw up international conventions which at one stroke would transform the conditions of world transport. As it was realised that this was only the first of a series of conferences to be held at stated intervals, no attempt was made to complete the whole work in one session. The Conference confined itself to those problems already contemplated by the Peace Treaty and, with regard to the others, it laid the foundations for future development.

It did, however, deal with two great questions by means of international conventions drawn up and concluded at the Conference, namely, the question of transport in transit and the question of transport on navigable waterways of international concern. The work done by the Conference on these subjects was described as follows in the report of the Advisory and Technical Committee to the Second Assembly :

I. TRANSPORT IN TRANSIT.

By "transport in transit" is meant transport which crosses a State, its points of departure and destination being outside that State. Transport of this kind is specially in need of international guarantees. In the case of the transport of exports and imports, a State which obstructs or prevents free movement of such transport may indirectly cause serious prejudice to the economic reconstruction of the world. In this way it injures every State, but it directly

injures only either those exporting States the transport of whose goods it prevents or obstructs in the course of importation or those importing States which may, for instance, be in need of raw materials which the obstructing State possesses and the export of which it prohibits. As regards transport in transit, on the other hand, any interruption or obstruction injures third parties, both the States which export and those which import the products the passage of which has been prevented. Such an interruption of traffic inevitably causes reprisals and counter-effects, the results of which cannot be limited.

The International Convention of Barcelona on Freedom of Transit is therefore designed to prevent interruption or obstruction of this kind. With this object it provides—making due allowance, of course, for legitimate restrictions as regards police, national security, transport in war-time, etc., and also for the need to adapt its measures to the existing legal position, and to the local or regional conditions in various parts of the world—for complete freedom of transit and complete equality of transit conditions. In this sphere, as in many others, liberty is indeed conditional upon equality. Without this equality, any traffic route upon which serious burdens were imposed would be automatically stopped by the natural effects of commercial competition. On the other hand, if liberty and equality are admitted, international commercial competition may take its free course, and transport in transit will enjoy an immunity which will benefit all the world.

The discussions on the Convention on Freedom of Transit revealed a unanimous agreement on the part of all the Governments ⁽¹⁾ represented at the Conference in favour of

(1) Governments represented at the Conference :

(a) Members of the League of Nations : Albania, Austria, Belgium, Bolivia, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, British Empire, Finland, France, Greece, Guatemala, Haiti, Honduras, India,

the adoption of these principles. The only differences of opinion (which were easily reconciled) related to the extent to which the reservations referred to above could be recognised; that is, to the point where freedom of transport might cease to become a legitimate international right, and might prejudice the sovereignty of the States by which the transit was to be effected.

2. TRANSPORT ON NAVIGABLE WATERWAYS OF INTERNATIONAL CONCERN.

The same principles of liberty and equality which, as regards traffic both by rail and by water, are generally applicable only in the case of "transport in transit", are, on the other hand, in the special case of transport on waterways of international concern, applied to every class of transport, including imports and exports and internal transport. The Barcelona Convention dealing with the international régime of navigable waterways is specially intended to regulate navigation on these waterways.

By "waterways of international concern" is meant waterways which are accessible to ordinary commercial navigation, and which provide more than one State with access to the sea. Waterways of this kind have, for a long time past, been subjects for general or particular international agreements. More than a century ago, the French Revolution had already proclaimed complete liberty of navigation and equality for all flags on these waterways, which were then described as international waterways.

Italy, Japan, Luxemburg, Netherlands, Norway, Panama, Paraguay, Persia, Poland, Portugal, Roumania, Kingdom of the Serbs, Croats and Slovenes, Spain, Sweden, Switzerland, Uruguay, Venezuela, New Zealand (the last-named signed by proxy).

(b) States not Members of the League of Nations but admitted to the Technical Organisations : Esthonia, Latvia, Lithuania.

(c) States invited in an advisory capacity : Germany and Hungary.

The Congress of Vienna had already attempted to work out measures to give effect to these principles, which, indeed, were the bases, during the nineteenth century, of the regulations of navigation over the great European international waterways, such as the Rhine and the Danube, and also over the great African waterways. It is evident that international co-operation is essential if these great traffic routes are to be utilised in a rational way. No State traversed by one of these waterways could monopolise it for its own profit without doing injury to itself, since the other riparian States would make a similar use of this right of monopoly. States situated far up the course of the great international rivers would suffer particularly from this lack of liberty, especially States deprived of access to the sea, for, in their case, freedom of navigation on waterways of international concern is only another word for the right of free access to the sea.

At the Barcelona Conference, it was possible to contemplate the universal application of these principles. The working out of their details presented peculiar difficulties from this point of view. The evolution of international law with regard to rivers in South America, to cite an important instance, has not followed exactly the same course as that of European river law. This circumstance might appear a serious barrier to a universal system for the regulation of river navigation. In fact, however, after long debates, in which a prominent part was taken by the South American representatives expert in this subject, it was found possible to reconcile opinions which had, at first, been in conflict, and, by merging the rights, varying in their origin, a compromise was effected, which constitutes a happy augury for future progress.

The Barcelona Conference considered that the principles of the Convention on Transit and the Convention on Navigable Waterways of International Concern did not define

the rights and duties of belligerents and neutrals in time of war.

It, nevertheless, stipulated that these same principles should apply in time of war as far as might be compatible with these rights and duties. Further, it adopted the recommendation that the League of Nations should invite its Members to meet, in order to draw up new Conventions with the object of defining these rights and duties with regard to transit. This recommendation was transmitted to the Council.

The Barcelona Conference might, strictly speaking, have stopped there, limiting itself, if it had been restricted to the agenda originally prepared, to dealing with waterways of international concern, without any reference to the general control of traffic on other waterways. A certain number of States, however, having shown themselves disposed, on condition of reciprocity, to accept certain obligations in regard to all their waterways, and not only as regards waterways of international concern, an additional protocol was drawn up, to which certain adherences have already been obtained, and which, by very simple machinery, will gradually render it possible to increase liberty of river communications throughout the world to any degree that the States desire.

Finally, in connection with the question of the equality of flags provided for in the Convention on Navigable Waterways, attention may be drawn to the declaration adopted at Barcelona recognising the right of States having no access to the sea to a maritime flag.

It would show complete lack of comprehension of the nature of the Barcelona Conventions to give only a summary of their principles and of their contents. Perhaps the most original feature of these Conventions, and one which they could only have acquired with the greatest

difficulty if they had not been Conventions of the League of Nations, is that, quite apart from the procedure of revision which has been amply provided for, they contain in themselves possibilities of permanent adaptation, development and progress. In each of these Conventions, in a clause which is perhaps, from certain points of view, the most important, and which embodies provisions adopted by the Assembly for the settlement of disputes arising out of clauses in the Peace Treaties dealing with transport, it is stated that all disputes relating to the application and interpretation of the Conventions shall be submitted to the Court of International Justice, and that all the contracting States engage, before resorting to any judicial proceedings, to seek an amicable settlement by invoking the assistance of the qualified technical organisation of the League of Nations. This organisation, the constitution of which was laid down in detail by the Barcelona Conference at the suggestion of the Assembly, is the Advisory and Technical Committee for Communications and Transit. The Advisory Committee will deal with these difficulties and special cases of interpretation or application as they arise, and in the same spirit of equity and international co-operation as animated the Conventions themselves. By the very fact that it is an organisation for the friendly settlement of disputes, it will be able, as international opinion develops, to propose and to find a ready acceptance for solutions, which will slowly and progressively evolve in accordance with actual needs, the effects more or less remote of the new international law, only the broad outlines of which can be safely fixed by any text.

By reason of the existence of the Committee, and the close association with the general organisation of the League of Nations, the Conventions will henceforth appear not as the end but as the beginning of an evolution, and the very elasticity of their clauses will not become a source of confusion

and controversy but will make them the basis upon which constantly to initiate and adapt practical measures.

In addition to these Conventions, the Barcelona Conference, which, according to the Assembly Resolution of December 9th, 1920, was to determine whether the measures which it elaborated should take the form of conventions, recommendations or draft resolutions to be adopted by the Assembly or by the Council, adopted a recommendation relative to Ports placed under an International Régime, and a series of recommendations on the International Régime of Railways.

3. PORTS UNDER AN INTERNATIONAL RÉGIME.

While considering that the moment had not yet arrived for the conclusion of a Convention on the International Régime of Ports, the Barcelona Conference was able, by availing itself of the competent technical authorities of all parts of the world, to draw up a standard statute for ports, based on the same principles as were applied to the Conventions on Transit and Navigable Waterways, and applicable in cases where such a régime should be judged opportune by the States. Certain States appear already to have shown their intention of applying it voluntarily to certain of their ports. In other cases, it may be used in drawing up international treaties establishing a régime for ports in special political or economic situations.

4. INTERNATIONAL RÉGIME OF RAILWAYS.

The recommendations relating to the International Régime of Railways were originally intended to form a Convention. The Convention on the International Régime of Railways is, indeed, the only one on the agenda of the Barcelona Conference which was not adopted in its original

form. If, however, this transformation of an obligatory Convention into a mere series of recommendations was introduced into the original scheme, this is in no way due to any mistrust on the part of the various States of an International Convention on the Régime of Railway Transport; it is, on the contrary, because the proposed text, which has been embodied in its entirety in the recommendations, did not appear to many of the delegations sufficient to justify the form of a Convention which they would have wished to see more detailed and much wider in scope. The Conference therefore decided to confine itself, for the time being, to a series of recommendations, but at the same time formally to request the convocation of the second General Conference on Communications and Transit within a maximum period of two years; the work of this Conference would be to draw up and conclude the general Convention on the International Régime of Railways.

Finally, the Barcelona Conference had not only to draw up its own formal rules of procedure, but also, in accordance with the Resolution of the Assembly, the rules of organisation for any general Conference on Communications and Transit, and for the Advisory and Technical Committee. The Conference also adopted the declaration on the right to a maritime flag by States not possessing a sea-coast.

Since that time the carrying out of the decisions of the Barcelona Conference has proceeded normally. At the Genoa Conference all the European States which were represented stated that they either had ratified the general Convention on Freedom of Transit or that they were about to do so, and all, with the exception of two, stated that they intended to ratify the general Convention on Navigable Waterways of International Concern. Lastly, all States announced that they were carrying out the Barcelona recommendations on the International Régime of Railways. As to the recommendations concerning ports subject to an

international régime, the scope of which was naturally more limited, the Barcelona texts have been made use of, particularly in the Treaty of Lausanne.

CHAPTER IV. — THE WORK OF THE ADVISORY AND TECHNICAL COMMITTEE BETWEEN THE FIRST AND SECOND GENERAL CONFERENCES.

The first General Conference on Communications and Transit set up the Advisory and Technical Committee. Besides the States which were permanent members of the Council, the following States were selected to appoint members of the Committee : Belgium, Brazil, China, Spain, Chile, Cuba, Denmark, Esthonia, the Netherlands, Poland, Switzerland and Uruguay.

The Committee met for the first time after the Barcelona Conference in July 1921. Between that date and the Second General Conference, *i.e.* up to November 1923, it has held two meetings a year. Between the sessions many special committees or sub-committees prepare the work for the plenary meetings.

The work of the Committee may be grouped under three heads : administrative duties; work connected with past or forthcoming conferences; and, lastly, work undertaken by the Committee on its own initiative.

I. ADMINISTRATIVE WORK.

The Advisory and Technical Committee, as explained in Chapter I, constitutes, so to speak, the permanent board of directors of the Organisation for Communications and Transit. Thus it has duties of an administrative and financial nature. It prepares the budget of the organisation, which is then submitted to the Assembly for approval. It

exercises a sort of technical supervision over the Communications and Transit Section of the Secretariat of the League, which acts as the Secretariat of the Committee itself. As regards these matters, the Committee has had, during this period, to create its own traditions, decide on its methods of work and establish such organisations as it required. It has drawn up its own general programme for work, its rules of procedure, etc.

2. WORK CONNECTED WITH INTERNATIONAL CONFERENCES.

(a) Carrying out the decisions of former conferences.

It has been the duty of the Committee to promote the carrying-out of the resolutions of the Barcelona Conference, and to make enquiries from the Governments with the object of hastening ratifications or adhesions to the various conventions. Mention has already been made of the fact that an enquiry was undertaken with regard to the execution of the decisions of the Passports Conference, and this enquiry certainly did much towards hastening progress in this sphere. At the request of the Genoa Conference, the Advisory and Technical Committee undertook to supervise the carrying-out of the resolutions on transport adopted by the Conference, although the latter was not convened under the auspices of the League. The Committee thus had to carry out an enquiry (of which mention will be made later) as to the re-establishment of means of communication in Europe.

The rôle of the Committee as an intermediary with the Governments in seeing that decisions taken at international conferences are applied is becoming so increasingly appreciated that the Committee is being asked more and more frequently to send representatives to all inter-Governmental conferences concerned with transport questions. The Secretariat-General of the Transit Organisation was represented at the Genoa Conference and the Committee

itself was represented both at the Berne Transport Conference in 1923 and the meeting of the International Union of Railway Administrations. The latter is, of course, not a government institution, but it includes all the railway administrations of Europe and Asia. In so far as river navigation is concerned, mention has already been made of the fact that the Committee is represented at the meetings of most of the River Commissions. Reference should also be made to its participation in the International Association of Navigation Congresses and in the Congress on Private Law in respect of Aerial Navigation.

(b) *Preparation for subsequent conferences.*

During the period under review, the most important part of the work of the Advisory and Technical Committee was the preparation for the second General Conference on Communications and Transit, which was to meet at an early date.

The Committee had about two years to prepare the agenda of this conference, which had to deal with two particularly important and novel problems. The results of this second conference will be described later. It need only be said that in this preparatory period the Committee established its method of procedure more definitely and, apart altogether from the aid given by members of the Committee, was able to obtain the assistance in various countries of specially qualified experts who were nominated by the Committee itself. With the assistance of these experts special committees were set up to deal with various subjects, particularly railway and hydro-electric questions. This method of creating sub-committees is being more generally adopted and is becoming more and more indispensable in view of the increasingly complex and specialised nature of the Committee's work.

3. WORK UNDERTAKEN ON THE INITIATIVE OF THE COMMITTEE ITSELF.

(a) Proposals submitted to Governments for investigations and enquiries.

In addition to the important work of a general nature for the preparation of the General Convention on the International Régime of Railways, which was submitted to the second General Conference, the Advisory and Technical Committee paid particular attention to certain practical problems of railway transport. It has undertaken and is still pursuing investigations into the possibility of improving the sleeping-car service in Central Europe. It has prepared various proposals with regard to "summer time" in international traffic. As a result of the resolutions of the Genoa Conference, it has carried out a complete enquiry into the present conditions of traffic by rail and the re-establishment of the means of communication in Europe; particularly in Central and Eastern Europe. At the Barcelona Conference, enquiries were instituted into the general transport situation at the moment when the conference met. These enquiries were based on official documents submitted to most of the Governments represented at the Conference. But a different and very successful method was applied to the question of the re-establishment of means of communication. A specially selected expert was sent out who worked in direct contact with the competent services in each of the countries that he visited. The results of this enquiry, which have been published, show that on the whole very satisfactory progress has been made since the end of the war, and they bring out certain of the chief reasons (mainly of a financial nature) which are still impeding progress. It is thus possible to narrow the field of enquiry, to ascertain what the fundamental difficulties are and to

endeavour gradually to remove them in so far as they are of a purely technical nature.

On the question of river navigation, the Committee, in collaboration with the River Commissions, has begun an enquiry into matters connected with the unification of tonnage measurement and the unification of private law, matters which are becoming more and more important with the extension of river navigation in Europe, particularly by the linking up of the river systems of Western, Central and Eastern Europe.

In the matter of maritime navigation, the Committee, in addition to preparing the General Convention on Maritime Ports that was submitted to the second General Conference, took up, in conjunction with the International Chamber of Commerce, the question of unifying tonnage measurement in maritime navigation. The Committee is at present taking steps to consider the more general and important question of safety at sea, but only in so far as that question has not already been dealt with by international regulations, or is not being considered by other bodies, since the Committee has no desire to supplant any existing organisation that appears to be in a position to obtain the desired results.

The Committee has also taken up the questions of air and motor traffic. In respect of traffic by air, it works in collaboration with the International Commission on Aerial Navigation and is particularly concerned with the great problem common both to aerial and other forms of transport, namely that of co-ordination, which becomes more and more necessary as aerial transport is developed and put on a commercial basis in constant touch with railway and steamer traffic. In respect of motor traffic, the Committee dealt particularly with the question of an international driving licence, that is, with simplifying the formalities necessary for international motor traffic. Working in close

touch with the International Automobile Association, it is endeavouring to obtain a revision of international agreements on this point in order to bring them into harmony with present-day conditions in commercial motor traffic.

The Committee has had to investigate generally, in association with other League technical organisations, questions only partly connected with transport. For instance, in collaboration with the Health Committee of the League, it prepared a draft convention on measures to prevent the spread of epidemic diseases by waterways. Similarly, at the request of the Opium Committee, it conducted an enquiry into the conditions under which measures for the control of the opium traffic could be applied in free ports.

Finally, after extensive preliminary enquiries, the Committee set to work on a reform which may possibly have considerable importance in the future and which is of great interest to every shade of public opinion—the reform of the calendar. For a number of reasons, the present calendar injuriously affects certain commercial relations and occasionally causes confusion in the conditions of social life and in the working of transport services. These disadvantages might quite easily be obviated by a few fairly simple changes, which would make Easter a fixed festival and give the calendar a stability which it does not at present possess. But such is the strength of long-established habit that the utmost caution must be exercised. This is particularly the case in dealing with a question such as that of the Feast of Easter, which is bound up with ancient religious traditions. The Committee accordingly desired to collaborate in this field with the authorities chiefly concerned. After a preliminary examination conjointly with the representatives of these authorities, the Committee set up a special committee presided over by one of its members and composed of representatives of the Holy See, the Patriarch of Constantinople, the Archbishop of Canterbury, the President of the *Bureau*

internationale de l'Heure and the President of the International Chamber of Commerce. An enquiry on a large scale has simultaneously been set on foot by means of correspondence with the various Governments and religious denominations, on the basis of the scheme adopted by the International Astronomical Union. As soon as the results of this enquiry are known, the special Committee will meet.

(b) Settlement of disputes in connection with communications.

One of the chief duties of the Organisation for Communications and Transit is to facilitate the settlement of disputes between States on problems of communications, whether such disputes arise out of the application of certain clauses of the Treaties of Peace, or the application of international conventions, such as the Barcelona Conventions, or whether in any special case the States apply of their own accord to the Committee for mediatory assistance.

The Advisory and Technical Committee has already had to deal with a case of this kind. There was a dispute between Germany and the Governing Commission of the Saar Territory regarding the conditions under which the Berne Convention on Transport by Rail should be applied to the relations between the railways of the Saar and the German railways. This dispute had lasted for about two years and it had not been possible to reach a satisfactory settlement. The Committee settled the matter in a very short time, by mutual agreement, and was thus able to demonstrate the efficacy of the procedure laid down for such cases.

A Committee of Enquiry was set up composed of technical experts. In addition to two experts appointed respectively by the German Government and the Saar Governing Commission, the Committee comprised three members, one of whom acted as chairman and was himself chair-

man of the Railways Sub-Committee' of the Advisory and Technical Committee, and two others taken from the panel of experts nominated by all the Governments in order to assist the Committee if it were called upon to deal with disputes. In two days a draft convention, into which no idea of political considerations was allowed to enter, was prepared and this convention was subsequently signed and ratified by both the parties concerned.

This brief summary will show the varied character of the questions with which the Advisory and Technical Committee is called upon to deal and how in all branches of its activities the Committee is endeavouring, with the support of the Governments Members of the League, to carry out its special task of facilitating international communications and ensuring freedom of communications by all the means in its power.

CHAPTER V. — THE SECOND GENERAL CONFERENCE ON COMMUNICATIONS AND TRANSIT

— The second General Conference on Communications and Transit met at Geneva from November 15th to December 8th, 1923. It examined the work of the Advisory and Technical Committee and renewed the membership of that body. On the basis of the preparatory work carried out by the Advisory and Technical Committee, the Conference also adopted four Conventions : a General Convention on the International Regime of Railways, a General Convention on the International Regime of Maritime Ports, a Convention relating to the Transmission in Transit, of Electric Power, and a Convention on the Development of Hydraulic Power affecting several States.

I. CONVENTION ON THE INTERNATIONAL REGIME OF RAILWAYS.

The question of the International Regime of Railways had already been raised at Barcelona in March 1921, but that Conference confined itself to passing a resolution that a further Conference should shortly be held for the purpose of drawing up and signing a Convention on the subject. The Committee for Communications and Transit thereupon undertook the preparatory work and, with the help of a Committee of Experts, drew up a General Draft Convention. The text was submitted to the Conference in Geneva, and was adopted with certain modifications, concerning principally fair treatment of commerce and the procedure to be followed in cases of litigation.

The Convention contains the summary codification of existing international obligations in matters concerning railway transport, which, as soon as the Convention comes into force, that is, on ratification by five of the signatories, will become binding for the contracting Powers. In this way it fills an important gap which has hitherto existed in international law.

Railway agreements between States or administrations are too diverse all to be contained in a single treaty. For this reason it is not intended that the new general Convention should take the place of bilateral agreements already in existence. On the contrary, it will facilitate the conclusion of such agreements by laying down the general principles on which they should be based.

The Convention is divided into two parts; the Convention proper, which defines the aims and the procedure to be followed; and the Statute or technical part.

The Statute, again, is divided into six parts :

(1) Interchange of international traffic by rail.

- (2) Mutual use of rolling-stock and technical uniformity.
- (3) Relations between railways and the persons who use them.
- (4) Tariffs.
- (5) Financial arrangements between railway administrations as regards international traffic.
- (6) General regulations.

(1) *Interchange of international traffic by rail.* — The contracting States undertake to uphold the following principles :

a) Junction of international lines, allowing a through service on these lines.

b) The use of a single common station for frontier services, or, at any rate, one station for traffic in each direction.

c) Obligation to afford the international service all necessary facilities and protection.

d) Fair treatment for all nationalities without political prejudice.

e) Conditions of speed and comfort proportionate to the importance of the traffic concerned.

f) Organisation of through trains of through carriages on the principal international routes.

g) Encouragement of all technical measures calculated to ensure speedy and efficient service on the more important trade routes.

h) Speedy re-establishment of normal service in cases of temporary suspension.

i) Regulation and simplification of all Customs, police and passports formalities.

(2) *Mutual use of rolling-stock and technical uniformity.* — The contracting States undertake to urge the railway administrations under their sovereignty to conclude special agreements permitting and facilitating the exchange and reciprocal use of rolling-stock and the supply of empty trucks. In cases where alterations in the essential characteristics of a railway system or of rolling-stock appear specially desirable, owing to the abundance of traffic and the relatively small adaptation required, they undertake to communicate without delay, and to examine in a friendly spirit, all proposals for such alteration. Further, with a view to facilitating the reciprocal use of rolling-stock, the States undertake to promote agreements dealing with the technical uniformity of railways, especially in respect of the construction and upkeep of rolling-stock and the loading of trucks. Special agreements may also be made for providing assistance in motive power, fuel or electric current.

(3) *Relations between the railways and the persons who use them.* — The contracting States undertake to facilitate the transport of passengers and goods on the basis of a single contract covering the whole journey (one ticket, one registration of luggage, one despatch of goods). The Statute also specifies certain important technical points to be borne in mind in the drawing up of individual treaties regarding these single contracts.

(4) *Tariffs.* — The contracting States promise that tariffs shall be duly published before coming into force and that they shall fix, in respect of passengers and their luggage, the carriage charges and the conditions under which they shall apply, and, in respect of goods, the carriage charges including incidental expenses, classification of goods to which the charges are applicable and the conditions under which they are applicable. In their recognition of the need to allow in these tariffs the elasticity essential for the

complex requirements of commerce and of commercial competition, the States uphold their right to arrange their own systems, provided only that this right does not prejudice the development of international traffic. The States undertake to establish reasonable tariffs and not to discriminate to the disadvantage of any of the other contracting States. They also undertake to establish international tariffs and to obtain uniformity in the presentation both of their international and national tariffs.

(5) *Financial arrangements between railway administrations as regards international traffic.* — The contracting States undertake to facilitate and simplify financial arrangements between the railway administrations of the different countries. The provisions of the Convention lay down principles for the division of the money paid or due for international traffic, for the sharing of the responsibilities incurred and for uniformity in the matter of accounts.

(6) *General regulations.* — The Convention permits of deviations from the provisions of the Statute in cases of emergency affecting the safety of a State or the vital interests of a country. No State is bound to afford transit for passengers whose admission into its territory is forbidden, or for goods of a kind of which the importation is prohibited. Nor is any fresh obligation imposed with regard to the transport of nationals of a non-contracting State and their luggage, nor of the goods or carriages coming from, or going to, a non-contracting State. The Statute does not prescribe the rights and duties of belligerents and neutrals in time of war.

Any dispute which may arise as to the interpretation of the Convention and which cannot be settled amicably, may first be laid before the technical organ of the League of Nations for questions of Communications and Transit.

If, however, the dispute cannot thus be settled, the contracting States shall submit it for arbitration, unless they should agree to carry it before the Permanent Court of International Justice. If any questions of international law or of the legal interpretation of the Statute arise during the process of arbitration, they shall be laid before the Permanent Court at the request of one of the parties, if the Arbitral Tribunal regards the settlement of the dispute as depending upon these points.

At the expiration of all Treaties at present in force, the contracting States undertake to introduce into the new agreements the changes required to bring them into line with the General Convention.

The Statute does not apply between territories forming part of, or under the protection of, one and the same State.

The Convention was adopted unanimously and signed, at the close of the Conference, by the plenipotentiary delegates of twenty States.

2. — CONVENTION ON THE INTERNATIONAL REGIME OF MARITIME PORTS.

The question of a General Convention on the International Regime of Seaports was discussed in the first place by the Barcelona Conference, when it was decided, for reasons of political expediency, to postpone further steps in the matter. It was brought for the second time before the League Organisation on Communications and Transit by a resolution forwarded by the Governments represented at the Genoa Conference, requesting that a General Convention on the International Regime of Maritime Ports should be drawn up as soon as possible. Under these circumstances, the Committee on Communications and Transit prepared the text of a convention of which the greater part was

adopted by the second General Conference, on Communications and Transit, and was signed by sixteen States.

The basic principles of the Convention are equality of treatment in, and freedom of access to, maritime ports for the sea-going vessels of all contracting parties. By maritime ports is meant ports normally used for commercial traffic, naval and fishing ports being excluded from the provisions of the Convention.

The contracting States undertake to grant to the nationals, property and flags of other contracting States such rights as they grant to their own nationals, property and flags in all that concerns freedom of access to, and the use of, ports, particularly as regards facilities of all kinds, such as berthing, loading and unloading, dues and charges of all kinds levied in the name and for the profit of the Government, public authorities, concessionnaires or establishments of any kind. Dues, charges, and police regulations shall be duly published before coming into force and a record of tariffs and regulations shall be open to inspection in the ports by all persons concerned.

In the application of Customs or analogous duties, local octroi or consumption duties levied in respect of the import or export of goods, no distinction shall be made between the flag of any contracting State and that of the State under whose sovereignty the port is placed.

In the absence of special circumstances based on geographical, economic or racial considerations, the Customs duties levied in maritime ports must not be higher than those levied on the other Customs frontiers of the same State. It is, however, open to the contracting parties, after notification by diplomatic channels, to withdraw the benefits of the provisions regarding equality of treatment from vessels belonging to any State not applying the provisions of the convention in its own ports.

The Convention does not in any way apply to maritime coasting trade and does not affect the right of States to organise the towage in their ports as they see fit. It has also no reference to the use of ports by warships, vessels performing police functions or fishing vessels.

The Convention contains, moreover, provisions of a general order to the effect that no contracting State shall be bound to afford transit for passengers whose admission in its territories is forbidden, or for goods of a kind of which the import is prohibited; each contracting State shall be entitled to take the necessary precautionary measures for the transport of dangerous goods and for public safety, including measures for the control of emigrants.

The contracting parties undertake, as soon as the circumstances permit, to bring into line with the Convention international agreements to which they are parties, and which contain provisions contrary to those of the Convention. The rights and duties of belligerents and neutrals in time of war are not prescribed by the Convention.

The settlement of disputes arising out of the construction or application of the Convention is provided for in the same way as that of disputes concerning the interpretation of the Convention on the International Regime of Railways.

The Conventions on the Transmission in Transit of Electric Power and the Development of Hydraulic Power on Watercourses forming part of a basin situated in the territory of several States were drawn up as a result of a recommendation of the Barcelona Conference. The Committee on Communications and Transit, after a comprehensive study of the question, decided that no advantage could at present be derived from a general examination of the problem. On the other hand it considered that two special questions were ripe for immediate treatment: the transmission in transit of electric power and the development of hydraulic power.

3. — CONVENTION ON THE TRANSMISSION IN TRANSIT OF ELECTRIC POWER.

The text adopted by the second General Conference sets forth certain governing principles destined to further the conclusion of agreements between States concerning the transmission in transit of electric power, and lays down that no special dues or taxes may be levied in respect of such transmission.

The Convention contains, moreover, a series of provisions which may be included in special agreements between States with regard to the transmission of electric power : for instance, it lays down that the transit State shall not bear any costs, the interest of the importing and exporting States shall be safeguarded; the methods adopted to secure the transit shall be based on purely technical considerations and shall not take political frontiers into account.

Twelve Governments signed the Convention.

4. — CONVENTION ON THE DEVELOPMENT OF HYDRAULIC POWER.

The aim of this Convention is to increase the number of special agreements between States for the development of hydraulic power. It emphasises in the first place the right of each State within the limits of international law to carry out on its own territory any operations for the development of hydraulic power which it may deem desirable; in the second place, it studies cases in which the reasonable development of hydraulic power may require international investigation. It contains a series of provisions with a view to reaching satisfactory solutions and protecting the interests of States to which the operations for the development of hydraulic power may cause prejudice.

The technical solutions adopted in the agreements shall be based on purely technical considerations. No compulsory procedure for the settlement of disputes arising out of the interpretation and application of the two conventions on electric power being provided, the contracting parties are left free to fix by mutual agreement the procedure in each particular case.

The Convention on the Development of Hydraulic Power was signed by eleven Governments.

In his closing speech, Senator Conti outlined as follows the work of the second General Conference :

“The Railway Convention, which is destined to be the Magna Charta of the international regime of railways, provides for an international organisation to improve the operation of railway traffic, and it cannot be doubted that the economic world will benefit greatly by the Convention when generally applied.

“The Convention on Maritime Ports, which lays down the great principle of equality of treatment as regards access to, and the use of, ports, will largely facilitate maritime communication and promote international relations.

“The other two Conventions confine themselves to general guiding principles with a view to facilitating the conclusion of agreements between States in regard to the transmission in transit of electric power and the development of hydraulic power on watercourses.”

The protocols of the four Conventions are open for signature by States represented at the Conference, by Members of the League and by any State to which the Council may transmit copy of the Conventions for that purpose until October 31st, 1924.

The Conference proceeded to the renewal of the Advisory and Technical Committee on Communications and

Transit, on which the following States will be represented until the next General Conference :

France, Great Britain, Italy and Japan (in virtue of their position as permanent members of the Council); Austria, Belgium, Chile, China, Colombia, Cuba, Greece, Lithuania, Norway, Poland, Roumania, Salvador, Spain, Venezuela.

CHAPTER VI. — THE FUTURE WORK OF THE NEW ADVISORY AND TECHNICAL COMMITTEE

The consideration of what may be done in future by the Organisation for Communications and Transit lies outside the scope of this pamphlet.

The new Advisory and Technical Committee will meet in March and will doubtless carry on the work undertaken by the first Advisory Committee on the same principles as those followed by its predecessor. But it would appear at present that, as a result of the work of the second General Conference, the activities of the Advisory and Technical Committee will probably be chiefly directed towards three objects : It will aim at facilitating the practical application of the general Convention on the International Régime of Railways, not only by keeping up to date a complete collection of information on this subject, but also (and not least) by assisting in the preparation of the many inter-State agreements that will be necessary for applying the Convention—agreements expressly provided for in the Convention itself. It will thus deal more and more with practical questions of railway transport, in conjunction with other organisations.

Secondly, the framing of the General Convention on the International Régime of Maritime Ports brought a whole

series of international questions within the purview of the Committee, namely, questions of transport by sea, to which belong two problems—unification of tonnage measurement and safety at sea—already touched upon by the Committee.

Thirdly, the discussions of the Conference with regard to electric questions have shown how great is the international interest in these problems. They have also shown, however, that the solutions toward which the work of the Conference tended are in themselves in the nature of preliminary steps. Further work on this subject will be necessary.

Naturally, the work of all kinds already begun by the previous Advisory and Technical Committee will be continued, particularly the enquiry into the reform of the calendar and the restoration of the means of communication. It is true that the previous Committee undertook an enquiry into this second subject, but it was confined to transport by rail.

The Committee may have to examine questions of all kinds which the Governments may wish to submit to it, or which the Council of the League may refer to it for consideration. In various international difficulties connected with transport problems, the Governments and the Council of the League have already asked for the assistance of the Committee or of experts nominated by the Committee.

This occurred recently when the problem of the status of the Territory of Memel came up for consideration and in the case of certain questions affecting the relations of Poland with the Free City of Danzig.

One Government has taken the initiative, through the Council, of referring to the Advisory and Technical Committee a particularly important problem, the solution of which may have very far-reaching effects, that is to say, the problem of radio-telegraphic relations. The previous Advisory and Technical Committee succeeded in drawing

up a definite practical plan on this subject. 'The plan was prepared by a Sub-Committee which included among its members representatives of the telegraphic authorities of France, Great Britain and Italy. Negotiations have been set on foot in regard to this matter with a view to summoning a world conference for the settlement of radio-telegraphic and radio-telephonic questions.

DOCUMENTS
ON TRANSIT AND COMMUNICATIONS
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Documents on Transit and Communications (Continued)

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THE LEAGUE OF NATIONS

POLITICAL ACTIVITIES

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NOTE

'This pamphlet is the last of a short series issued by the Information Section of the Secretariat of the League of Nations on various aspects of League work. Other pamphlets deal with the constitution and organisation of the League, the Permanent Court of International Justice, the financial reconstruction of Austria, financial and economic work, the financial administration of the League and allocation of expenses, disarmament, health, mandates, minorities, transit, the administration of Danzig and the Saar, intellectual co-operation, and humanitarian activities.

These pamphlets, which are issued for information purposes, should not be regarded as taking in any way the place of official documents.

January 1925.

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POLITICAL ACTIVITIES

INTRODUCTION

This pamphlet contains an account of the chief political questions with which the League of Nations has dealt since its foundation (1).

They are of varying importance, but all, except the Italo-Greek dispute, are in one way or another traceable to consequences of the war. The Aaland Islands question, the Memel question, the dispute between Poland and Lithuania concerning Vilna, all arose out of the territorial and political changes which took place in Northern Europe after the war. Similar changes in Eastern Europe, due to the same cause, raised or revived the Albanian question and the question of raids by armed bands into the territory of Bulgaria's neighbours.

The Upper Silesian question, the question of the Hungarian optants, and the various frontier questions were primarily due to differences of opinion as to the application of the peace treaties.

Some of these, notably the frontier questions, were laid before the League of Nations under definite provisions in the peace treaties; some were submitted to the League through the Governments of certain of the States Members;

(1) Minorities and mandates questions are excluded from this account of political activities, as they are dealt with in other pamphlets in this series. References to political and minorities questions are also to be found in the pamphlet on the Permanent Court of International Justice.

and some through the Supreme Council on the Conference of Ambassadors.

In most cases they were brought before the League under Article II of the Covenant, which declares it to be "the friendly right of each Member of the League to bring to the attention of the Assembly or of the Council any circumstance whatever which threatens to disturb international peace or the good understanding between nations upon which peace depends".

THE AALAND ISLANDS SETTLEMENT

THE SITUATION UP TO JUNE 19TH, 1920.

The Aaland Islands settlement was an incident in the general re-adjustment that took place around the Baltic as a result of the war.

These Islands, about 300 in number, form the western-most group of the archipelago around the south-western and southern coasts of Finland, and constitute a district of the Finnish province of Åbo-Björneborg. There are about 25 miles of open sea between the most westerly of these islands and the Swedish coast. The 26,000 inhabitants are Swedish by language and descent, as are the inhabitants of most of the rest of the archipelago and of the adjoining coastal districts. Although they are geologically part of the Finnish archipelago, the Islands are nearer Stockholm than Helsingfors, and their inhabitants have important trade relations with both Sweden and Finland. Their position gives the Aaland Islands great strategic importance. The total Swedish population of Finland numbers about 400,000. The total population is about 3,200,000. But the Aaland Islanders have a certain local sentiment and tend to look upon themselves as a separate group.

Before the war, Finland was an autonomous Grand-Duchy whose sovereign was the Tsar : Esthonia, Latvia and Lithuania were Russian provinces. As a result of the war and the Russian Revolution these countries all became independent States. At the time Finland declared her independence the inhabitants of the Aaland Islands manifested a desire to unite with Sweden, with which the whole of Finland, including the archipelago, had been united until 1809; Swedish public opinion and the Swedish Govern-

ment showed the liveliest sympathy for this movement. At the same time the military status of the Aaland Islands, which had been demilitarised by the Treaty of Paris of 1856, was left in doubt as a result of the Finnish declaration of independence and the disappearance of a recognised Russian Government.

The fortifications built during the war were razed in 1919, under the supervision of a mixed Swedish-Finnish Commission. Meanwhile a movement for union with Sweden had begun in the Aaland Islands as early as August 1917 and became increasingly active as time went on. The Aaland Islanders held informal plebiscites and sent petitions and deputations early in 1918 to the Senate of Finland, the King of Sweden and the Emperor of Germany, and subsequently in November 1918 (two days before the Armistice) appealed to the President of the United States, the President of the French Republic and the Government of Great Britain. In these appeals they declared their desire to be united to Sweden on historic, economic and national grounds, and in virtue of "the right of self-determination".

This situation led to a declaration by the Finnish Government in March 1918 of its intention to grant a measure of autonomy to the Islands. Further steps in the same direction were taken in the summer of that year, when the minority rights of all Swedes in Finland were guaranteed by the new Constitution; in January 1919, when a Committee was appointed to draft proposals for granting autonomy to the Aaland Islands; and in May 1920, when an autonomy law was actually passed.

The Islanders, however, continued to appeal with great persistence and earnestness for the right of uniting with Sweden. The Swedish Government and public opinion in Sweden warmly supported these claims, and repeated attempts were made by the Swedish Government to negotiate on the

question with Finland. The Finnish Government, however, throughout took the position that Finland's sovereignty over the Aaland Islands was indisputable, and that, while quite ready to negotiate on the effective neutralisation of the Islands, it did not propose to discuss the question of a plebiscite. The conflict of views became increasingly bitter and public opinion on both sides was getting roused. In June 1920 the Finnish Prime Minister, accompanied by the Ministers of War and Commerce, visited the Islands to explain the new autonomy law that had just been passed and to urge its acceptance by the Islanders, who, however, flatly refused. The next day, June 5th, the two leaders of the secessionist movement, M. Sundblom and M. Björkman, were arrested for high treason and three companies of Finnish-speaking troops with a machine-gun section sent to the Islands. The Swedish Government protested on the ground that the arrested leaders were not engaged in any criminal activities and that the arrests, together with the despatch of Finnish-speaking troops to the Islands, were calculated to inflame the feelings of both the Islanders and Swedish public opinion. To this the Finnish Government replied that according to their information there was danger of the Islanders trying to force the Finnish Government with a *fait accompli* by simply declaring their independence, that the arrested leaders were quite clearly guilty of high treason under Finnish law, and that in any case both these matters were questions of internal policy with which the Finnish Government alone was concerned. The Swedish Minister soon after left Helingsfors and was not replaced.

GREAT BRITAIN'S APPEAL TO THE LEAGUE

It was at this juncture that Lord Curzon, Foreign Minister of Great Britain, exercised the friendly right conferred on members of the League, under Article 11 of the Covenant,

to "bring to the attention of the Council of the League, the case of the Aaland Islands, as a matter affecting international relations which unfortunately threatens to disturb the good understanding between nations, upon which peace depends". At the same time the British Government informed the Governments of Sweden and Finland of its intention to take this step.

The First Council Meeting. — At the next meeting of the Council, held from July 9th to 12th, 1920, in London, Finland and Sweden were represented respectively by M. Enckell, Finnish Minister at Paris, and M. Branting, Prime Minister of Sweden. Sweden took her place, although not a member of the Council, under Article 4 of the Covenant, according to which "any member of the League not represented on the Council shall be invited to send a representative to sit as a member at any meeting of the Council during the consideration of matters specially affecting the interests of that member of the League". Finland, which was not at that time a member of the League, was given a seat on the same terms by a special resolution of the Council, in which Sweden concurred, in the spirit of Article 17 of the Covenant, which provides that : "In the event of a dispute between a member of the League and a State which is not a member of the League . . . the State or States not members of the League shall be invited to accept the obligations of membership in the League for the purposes of such dispute and upon such conditions as the Council may deem just". At this session both parties stated their case, and representatives of the Aaland Islanders were also heard, with the consent of the Finnish Government.

The Finnish Case. — The Finnish case was that, geographically and historically, the Islands were a part of Finland, that ethnically their population was a fraction of the Swedish minority in the Finnish nation, and that legally there was no

doubt whatever of Finnish sovereignty over the Islands. Consequently there was no doubt of Finland's political right to refuse to allow a plebiscite for the purpose of secession, and this right the Finnish Government proposed to retain, since, from both a military and economic point of view, the separation of the Islands would prejudice the very conditions of existence of the Finnish Republic, while, on the other hand, the Aalanders would not suffer any kind of oppression if they continued to live in the future, as in the past, under Finnish laws. By the laws providing for the rights of the Swedish minority in Finland and by the special law granting autonomy to the Aaland Islanders, the Finnish Government considered the national aspect of the question settled. It was at any time ready to enter into negotiations for the effective neutralisation of the Islands in order to settle the military aspect of the question. Finally, the Finnish Government claimed that the differences between the Aaland Islanders and the Finnish Government constituted "an internal question relative to the protection of ethnical minorities" and that consequently the dispute with Sweden arose, in the words of Article 13, paragraph 8, of the Covenant, "out of a matter which by international law is solely within the domestic jurisdiction" of Finland (1).

The Swedish Case. — The Swedish representative, M. Branting, declared that "the position was one of considerable gravity, and if Finland persisted in her attitude and failed to withdraw her troops from the Islands a conflict was likely to arise". He read a statement to the Council declaring that Sweden was absolutely unable to accept the view that the Council was not competent to deal with this

(1) Paragraph 8 of Article 15 of the Covenant reads: "If the dispute between the parties is claimed by one of them and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report and shall make no recommendation as to its settlement".

dispute on the ground that it was entirely an internal question, and, while free from any annexationist tendencies, was "determined to put an end to the ferment which exists close to her frontiers". Sweden therefore desired the Council to take all measures to avoid a conflict and to arrive at a solution in conformity with the interests of the Aalanders and with the maintenance of peace and harmony between the two nations.

The Swedish Government asked that the Islanders should be allowed to determine by plebiscite whether they wished to remain under Finland or to become incorporated with Sweden. The right of self-determination was proclaimed by the Allies and consecrated in several of the peace Treaties. It gave freedom to Finland herself. Finland's own action and the case of the Danes in Schleswig-Holstein seemed to afford a precedent that ought to be followed in the case of the Aaland Islands. M. Branting denied the Finnish contention that the Irredentist feelings of the Aalanders were of very recent date and not likely to be long-lived, and appealed to history to show that this feeling had existed since time immemorial; that, in fact, the Aaland Islands were part of Sweden long before Finland became an autonomous province or a group of autonomous provinces within the Swedish Empire, and that during this period the Aaland Islands were considered as belonging rather to Sweden proper than to the Grand-Duchy of Finland. From the economic and strategic point of view, Sweden had, he considered, better claims than Finland. The Swedish Government would not, however, insist upon this aspect of the question except to off-set Finland's counterclaims on this ground. What the Swedish Government did ask was that the wishes of the inhabitants, who were the parties most concerned, should be given decisive weight in the settlement arrived at.

APPOINTMENT OF THE JURISTS' COMMISSION

After considerable discussion, in the course of which representatives of the Aaland Islanders were given a hearing, the Council decided that it could not proceed until the question of competence raised by the Finnish representative had been settled.

As the Permanent Court of International Justice was not then in existence, the Council, with the concurrence of the Swedish and Finnish representatives, decided unanimously to appoint a Commission of three international jurists to give the Council an advisory opinion with the least possible delay on the following questions : (1) Does the Swedish case as presented to the Council on the question of the Aaland Islands arise out of a matter which by international law is solely within the jurisdiction of Finland within the meaning of paragraph 8 of Article 15 of the Covenant? (2) What is the present state of the international obligations regarding the demilitarisation of the Aaland Islands?

Professor F. Larnaude, Dean of the Faculty of Law at Paris, Professor A. Struycken, Counsellor of State to the Kingdom of the Netherlands, and Professor Max Huber, Legal Adviser of the Swiss political department, were appointed members of this Commission, Professor Larnaude acting as President. At the invitation of the Council, the Finnish and Swedish Governments supplied the Commission with statements of their views upon the questions submitted to it, and two representatives of the Aaland Islands also contributed statements. The Commission, which met at Paris on the 3rd August, heard representatives of all three parties. On the 5th September it completed its task and adopted the following conclusions :

Report of the 'Jurists' Commission. As regards the national status of the dispute, the matter was one of international concern, for it did not

"refer to a definitive established political situation depending exclusively upon the territorial sovereignty of a State. On the contrary, the dispute arose from a *de facto* situation caused by the political transformation of the Aaland Islands, which transformation was caused by and originated in the separatist movement among the inhabitants, who quoted the principle of national self-determination, and by certain military events which accompanied and followed the separation of Finland from the Russian Empire, at a time when Finland had not yet acquired the character of a definitively constituted State".

The Commission argued: (1) that the union of the Aaland Islands to the Russian Empire in 1809 was not carried out in the same way as that of Continental Finland; (2) that at the time Finland was emerging as an independent State in 1917-1918, such events as the civil war in Finland, the occupation of the Aaland Islands by German, Bolshevik and Swedish troops, and the attitude of the Islanders themselves, as well as the support of their claims by the Swedish Government, meant that the status of the Islands was left undefined; this view the Commission further contended was not invalidated by the fact that the Finnish Government was recognised during these events, because war-time recognitions, especially by belligerent Powers, did not necessarily imply that the frontiers of the nations recognised were definitively established.

Consequently, the Commission was of opinion that the dispute was not concerned with a matter recognised by international law as being solely an internal affair of Finland, and that the League Council was competent to recommend any solution it considered appropriate. The Commission

did not pronounce against the sovereignty of Finland, but left it to the Council to satisfy itself upon this point.

The Commission, however, admitted that a question did not become of international concern because it was brought before the Council by a Member of the League, which might or might not be a party to the dispute, but it must become so or remain a matter of domestic jurisdiction according to its intrinsic and special characteristics. The principle of self-determination, they also pointed out, was not mentioned in the Covenant, and its recognition in a certain number of international treaties could not be considered sufficient to put it on the same footing as a positive rule of the law of nations.

“On the contrary, in the absence of express provisions in international treaties, the right of disposing of national territory is essentially an attribute of the sovereignty of every State. Positive international law does not recognise the right of national groups as such to separate themselves from the State of which they form part by the simple expression of a wish, no more than it recognises the right of other States to claim such a separation. Generally speaking, the grant or refusal of a right to a portion of its population of determining its own political fate by a plebiscite or by some other method is exclusively an attribute of the sovereignty of every State which is definitely constituted. A dispute between two States concerning such questions under normal conditions, therefore, bears upon a question which international law leaves entirely to the domestic jurisdiction of one of the States concerned.”

As regards the military status of the Islands, the Commission decided that :

"The provisions of the Convention and Treaty of Peace of 30th March, 1856, concerning the demilitarisation of the Åland Islands are still in force."

The latter conclusion was not disputed by either party; the former was contested by the Finnish Government.

Second Meeting of the Council and Appointment of the Committee of Enquiry. — The Council met from the 16th to the 20th September and on the basis of this report declared itself competent to deal with the case and decided to send a Committee of Enquiry to examine the situation on the spot and in Sweden and Finland, and to recommend a solution. The Swedish and Finnish representatives agreed to this procedure, the Finnish representative insisting once more that the Finnish Government maintained its view that Finland had full sovereignty over the Åland Islands. They furthermore undertook to use their best endeavours to prevent any aggravation of the situation in the meantime.

The Committee of Enquiry was thereupon appointed, consisting of Baron Beyens (formerly Belgian minister at Berlin) M. Calonder (former President of the Swiss Confederation) and Mr. Elkus (former ambassador of the United States of America at Constantinople). The Belgian and Swiss members of the Committee spent the last two weeks of October at Paris studying the documents of the case and hearing verbal testimony. They left for Stockholm on the 3rd November, where they met the American member and stayed until the 25th of the month, after which they left for Helsingfors, where they pursued their investigations until the 8th December. After this they spent four days on the Åland Islands and subsequently returned to Paris via Stockholm and Berlin.

Report of the Committee of Enquiry. — Their report, which was completed by April 1921, gave an exhaustive

account of the historic, economic and political aspects of the whole question. It stated that the matter was one of international concern, because it had "acquired such considerable international importance that it is necessary to submit it to the high authority which the League of Nations represents in the eyes of the world". The Committee faced squarely the question left open by the Jurists' Commission; the fundamental question at issue, it declared, was a legal one—namely, Finland's right of sovereignty over the Aaland Islands—and with regard to this question the Committee stated most emphatically that "the right of sovereignty of the Finnish State over the Aaland Islands is in our view indisputable, and their present legal status is that they form part of Finland".

The reasons adduced for this declaration were drawn chiefly from the history of Finland since 1809, from which period the country, although under Russian suzerainty, was considered to have been a definitely constituted autonomous State with well-marked frontiers including the Aaland archipelago. The fact that Finland became independent did not mean the creation of a new State but the completion of the autonomy of an already existing State. The recognition of Finland by various countries, including Sweden, must be held to bear the ordinary meaning of recognition in the absence of any reservations to the contrary in the text of the recognition. The fact that the Aaland Islands, together with other portions of Finnish territory, were at times occupied by foreign forces, was not held to invalidate this contention.

Arguing from this conclusion, the Committee declared its belief that the separation of territory from a Sovereign State was a drastic measure to be used only in the last resort. The Committee also insisted upon the importance of the views expressed by the Swedish-speaking population of Finland on the Continent and the rest of the Archipelago

constituting nearly 12 % of the total population. The Aaland Islanders, it was true, differed from the rest of the Swedish-speaking population of Finland in some respects, notably as regards their separatist leanings that inclined them towards Sweden. But they did not constitute a different ethnic group, and the representatives of the Swedish-speaking minority in Finland impressed upon the members of the Committee the fact that relations between the Finnish majority and Swedish minority in Finland would be rendered extremely difficult, to the great disadvantage of the minority, if the Aaland Islands were ceded to Sweden — a course which the Swedes of Finland would regard as an amputation of national territory against which they would protest just as energetically as the Finnish-speaking majority.

Moreover, there was no evidence that the Aaland Islanders ran any risk of denationalisation by remaining under Finland; there was every indication, on the contrary, that the Finnish Government was able and willing to give them the fullest guarantees and protection under this head. Only if this failed to prove the case could the contingency of secession be legitimately considered.

The Aaland Islanders, the Committee declared, would in time become reconciled to guaranteed autonomy under Finnish sovereignty, and peace and good relations between Sweden and Finland would be promoted.

The Committee consequently proposed that the Islands should remain under the sovereignty of Finland but that the fears of the Islanders should be allayed by a wider measure of autonomy.

The Council's Decision. — This report was considered by the Council at its meeting of the 17th to the 28th June, 1912, in the presence of the Swedish and Finnish representatives. Delegates of the Aaland Islands population were also heard. The Finnish and Swedish representatives having declared

their willingness to conform to the Council's decision, the Council, on June 24th, adopted a draft settlement of which the principal points were as follows :

(1) Finnish sovereignty over the Aaland Islands was recognised. At the same time, peace in general, cordial relations between Finland and Sweden, and the happiness and prosperity of the Islanders themselves could be assured only by additional guarantees to the population of the islands and by the neutralisation of the Archipelago.

(2) The new guarantees to be added to the autonomy law passed by the Finnish Diet in 1920 should be directed particularly to the preservation of the Swedish language in the schools; to the maintenance, for the inhabitants, of the right of pre-emption on any sales or transfers of landed property; to the restriction within reasonable limits of the franchise rights of immigrants, and to the appointment of a Governor enjoying the confidence of the population.

(3) An international agreement for the non-fortification and neutralisation of the Archipelago should give a guarantee to the Swedish people and to all interested parties that the Aaland Islands could never be a source of danger from a military point of view. For this purpose the Convention of 1856 should be replaced by a wider agreement under the guarantee of all the interested Powers, including Sweden, and conforming in its main lines to the draft presented by the Swedish Government.

M. Branting, in the name of the Swedish Government, thereupon read a formal protest in which he expressed the "deep disappointment" that the Swedish nation would experience on learning the Council's decision. At the same time he recorded his Government's readiness to recognise loyally that the decision of the Council possessed the binding force given to it by the terms of the Covenant, although in the Swedish view it was unjust and unfortunate in this particular case. M. Enckell, in the name of the Finnish

Government, accepted the Council's decision, and expressed the belief that the grievances of the Aaland Islanders would prove temporary and superficial, and that the Islanders would soon live contentedly with their fellow-citizens in the Finnish Republic.

The settlement having been accepted in principle, there remained the task of working out the guarantees to be given to the Aaland Islanders and of concluding an international agreement for the non-fortification and neutralisation of the islands.

At the suggestion of the Council the Swedish and Finnish representatives, with the help of the Belgian representative on the Council, M. Hymans, then negotiated and themselves drew up an agreed scheme for the guarantees to be given to the Aaland Islanders on the basis of the Committee's report. These guarantees, which were adopted by the Council in its session of June 27th, 1921, and which were subsequently given the force of constitutional law by the Finnish Parliament, read as follows :

"1. Finland, being resolved to ensure and to guarantee to the population of the Aaland Islands the preservation of their language, culture, and local Swedish traditions, undertakes to insert in the near future the following guarantees in the Law for the Autonomy of the Aaland Islands of May 7th, 1920.

"2. The Landsting and the Communes of the Aaland Islands shall in no circumstances be obliged to maintain or to subsidise any schools other than those in which Swedish is the language of education. In the State educational establishments, instruction will also be given in the Swedish tongue. The Finnish language shall not be taught in the primary schools which are maintained or subsidised by the State or

by the Communes without the consent of the Commune concerned.

"3. Whenever real estate situated in the Aaland Islands is sold to a person who is not legally domiciled there, the Provincial Council or the Commune in which the real estate is situated shall be entitled to re-purchase the said real estate at a price which shall be fixed, if an agreement cannot be reached, by the Court of First Instance, having due regard to the current price.

"4. Persons immigrating into the Aaland Archipelago who possess the rights of citizenship in Finland shall not acquire the right to communal and provincial suffrage in the Islands till they have been legally domiciled there for five years.

"5. The Governor of the Aaland Islands shall be appointed by the President of the Finnish Republic in agreement with the President of the Landsting of the Aaland Islands. If it is not possible to reach an agreement, the President of the Republic shall select the Governor from a list of five candidates, nominated by the Landsting and possessing the qualities necessary to ensure the good administration of the Islands and the security of the State.

"6. The Council of the League of Nations will see that the guarantees provided above are duly observed. Finland shall transmit to the Council of the League of Nations, together with its own observations, any complaints or claims by the Aaland Landsting in regard to the application of these guarantees, and the Council may, in case the question shall be of legal nature, consult the International Court of Justice."

The Aaland Landsting has never made use of the right of appeal to the Council to which it is entitled by this article.

THE ÅLAND ISLANDS CONVENTION

The remaining task—that of an international convention for the non-fortification and neutralisation of the Åland Islands—was disposed of at an International Diplomatic Conference summoned by the Secretary-General on the instructions of the Council. The Conference was held at Geneva from October 10 to 20, 1921. The States participating were Denmark, Esthonia, Finland, France, Germany, Great Britain, Italy, Latvia, Poland and Sweden. A Convention was framed at this Conference which provides explicitly and in detail for the neutrality of the Åland Islands on land, sea and in the air, in peace and war. Certain Articles of the Convention, dealing with guarantees and with respect for the neutrality of this zone in case of war, provide for the intervention of the Council of the League of Nations. Thus, in case of a war involving the Baltic, Finland could, in order to assure that the neutrality of the zone was respected, lay minefields temporarily in the zone and take the naval measures unavoidably necessary for this purpose, provided she immediately reported the matter to the Council of the League of Nations.

In order to safeguard the maintenance of the Convention or to take steps against its violation, the High Contracting Parties are to refer individually or jointly to the Council of the League, in order that the latter may decide on the measures to be taken, and they undertake to help in carrying out the measures thus decided upon. For this purpose the Council will invite Powers parties to the Convention to sit in the Council, whether those Powers are or are not Members of the League. The vote of the representative of the Power accused of having violated the provisions of the Convention will not count in the voting on the decision taken by the Council. If unanimity is nevertheless not achieved, the High Contracting Parties are severally authorised to take any steps

that the Council may decide upon by a majority of two-thirds, excluding the vote of the accused Power.

In case the neutrality of the zone should be endangered by an act of violence (*coup de main*), Finland could take the measures necessary to ward off the aggressor until the High Contracting Parties were in a position to intervene. Finland should, in such a case, immediately report the matter to the Council.

The provisions of the Convention are to remain in force whatever may be the eventual changes in the present *status quo* of the Baltic.

This Convention is the first international instrument in which the neutrality of a territory is guaranteed by States acting in their capacity as members of the League of Nations. By this innovation the Diplomatic Conference which drew up the Convention wished, in the words of the British delegate to the Council, "to recognise the part played by the League in the settlement of conflicts and to keep it permanently in touch with this question".

In its session of January 14, 1922, the Council, in view of the manifest intention of the signatory Powers to conform to the letter and spirit of the Covenant in any emergency, decided to accept the obligations laid upon it by the Convention and to call the terms of the Convention to the attention of all the members of the League, to ensure its being universally respected.

The Convention came into force on April 6, 1922, by the deposit at the Secretariat of the ratifications of Denmark, Finland, France, Germany, Great Britain and Sweden.

POLISH-LITHUANIAN DISPUTE

1. ORIGIN AND NATURE OF THE DISPUTE

In Article 87 of the Treaty of Versailles the Allied and Associated Powers reserved the right to fix at a later date the frontiers of Poland which were not defined in the Treaty. The boundaries of the Polish State with the former Russian Empire were therefore left undetermined. To mitigate the disadvantages of this provisional state of affairs, the Supreme Council of the Allied Powers on September 8th, 1919, indicated a line, later known as the "Curzon line" (1), to the west of which Poland was authorised to establish a regular administration. This decision, however, expressly reserved Poland's right to the territory she claimed to the east of the line. It should be noted that Lithuania, which had not yet been recognised by the Allied and Associated Powers, never regarded herself as bound by the decision concerning this line of demarcation, and that the Poles had occupied territory beyond this line. In the spring of 1919 the Poles drove the Bolsheviks out of the town and district of Vilna, which was under their administration until July 1920. During this period a *de facto* line of demarcation, which had not been fixed by any Convention, separated the Polish and Lithuanian forces; it joined the line of December 9th north of Grodno and ran nearly straight from the Niemen 60 kilometres below Grodno in a north-easterly direction towards Dvinsk.

In July 1920 under the pressure of the Bolshevik offensive, the Poles evacuated Vilna. On July 12th, by a Treaty

(1) Because Lord Curzon advised the Poles to withdraw to the west of this line at the time of the Bolshevik invasion of 1921.

which was signed at Moscow, the Soviet Government ceded to Lithuania the town and district of Vilna, which were occupied by the Lithuanian forces on the 14th of the same month.

The frontier fixed by the Treaty of Moscow left the towns of Vilna, Lida and Grodno in Lithuania; to the west this frontier touched the Bobr 30 kilometres from the Prussian frontier, thus encroaching on the Curzon line.

In September 1920, as a result of the Polish counter-offensive, the situation between Poland and Lithuania became acute, the Polish forces having encountered Lithuanian troops to the west of the Curzon line. The Polish Government accused the Lithuanian Government of not having remained neutral in the war between Poland and the Soviet Republic.

Such was the position of affairs to which the Polish Government drew the attention of the Council of the League of Nations in September, 1920, asking it to do all in its power to bring about the withdrawal of the Lithuanian troops, and thus avert war between two nations which had been bound by the closest ties of friendship for several centuries.

2. THE DISPUTE BEFORE THE COUNCIL

This dispute was destined to engage the Council's attention from September 1920 until the beginning of 1922. In the first instance, however, its intervention was solicited by the Polish Government only with a view to securing a provisional settlement. The important point was to avert the hostilities which were imminent between the opposing forces. The first steps taken by the Council were therefore dictated by this consideration. The Council confined itself to appealing to the conciliatory spirit of the two Governments and to setting up a military commission of control on the spot.

But the course of events soon showed the inadequacy of partial action, which dealt with only one of the symptoms of the dispute while doing nothing to cure its fundamental causes. It became clear that it was not purely due to the chances of the Bolshevik retreat that a clash between the Polish and Lithuanian armies was imminent. A profound misunderstanding existed between the two countries. The crux of the problem, which was the territorial dispute, was to engage the attention of the Council before many weeks had elapsed.

A distinction should be made between the two aspects of the Council's activities during the dispute, which corresponded to the two aspects of the problem itself :

“ Firstly, the Council strove to avert hostilities and to mitigate the consequences of a state of rupture;

Secondly, the Council proposed to the parties concerned the procedure which seemed best calculated to settle the territorial dispute.

ACTION TAKEN BY THE COUNCIL TO AVERT HOSTILITIES

At its Session of September 1920 the Council, after hearing the representatives of the Lithuanian and Polish Governments, became convinced that the only effective way of preventing the outbreak of hostilities was to make its influence felt on the spot. It consequently decided to send out a military commission composed of English, Italian, Japanese and Spanish officers and presided over by Colonel Chardigny, a Frenchman. This Commission immediately proceeded to the scene of the dispute and met the plenipotentiaries of the two Governments at Suwalki, where they signed an Agreement on October 7th, 1920, provisionally fixing the respective positions of their forces, without prejudice to the eventual attribution of the disputed territory. The provisional line of demarcation coincided with the Curzon line,

as far as the Grodno district, then turned to the east and continued as far as the Lida-Vilna railway.

THE ZELIGOWSKI INCIDENT

The lull produced by the intervention of the Military Commission of Control was suddenly broken by new developments. The Polish army had driven the Soviet troops from Grodno and Lida, and an armistice and the preliminaries of peace had been signed between Poland and the Soviet Republic at Riga. On October 8th, General Zeligowski crossed the line of demarcation which had been agreed upon under the auspices of the Military Commission of Control, and entered Vilna at the head of a division, establishing a provisional regime under the name of the "Government of Central Lithuania".

Although the Polish Government declined all responsibility for the events which took place at Vilna and repudiated General Zeligowski, it asserted that it was not in a position to send troops against him, as his action was unanimously approved by Polish public opinion.

EXTENSION OF THE COUNCIL'S INTERVENTION

In view of the aggravation of the situation thus produced, the Council, at its Session at Brussels at the end of October 1920, unanimously decided that any action which might be taken to avert the renewal of hostilities would be inadequate if it were not supplemented by sustained efforts to settle the territorial problem. Accordingly the Council pursued simultaneously two separate but closely allied courses of action.

CONTINUATION OF THE COUNCIL'S ACTION ON THE SPOT

The Military Commission of Control remained on the scene of the dispute until the beginning of 1922. Its headquarters were established successively at Vilna and at Kovno, but the Commission moved about from place to place in its efforts to prevent any act of provocation. It secured the establishment of three neutral zones to separate the opposing forces, one in the Suwalki district, another in the Vilna district (in consequence of the Agreement of November 29th, 1920 between Zeligowski's forces and the Lithuanian troops) and a third in the north-eastern district as far as the Latvian frontier. In this way the Military Commission of Control was able for nearly two years to avert hostilities and reduce to a minimum all acts of provocation in the area under its supervision.

EFFORTS BY THE COUNCIL TO SETTLE THE TERRITORIAL DISPUTE

Having taken these steps to avert the danger of armed conflict, the Council turned its attention to settling the territorial dispute between the two States. Both claimed the town of Vilna and the surrounding district.

M. Hymans, Belgian delegate and rapporteur to the Council, later summarised the conflicting claims of the two Governments as follows :

"It is enough for me to say that the Lithuanians quoted from the history of the Grand-Duchy of Lithuania and from the Treaty of Moscow of July 12th, 1920, in which the Soviet renounced Russian sovereignty over Vilna and its territory in favour of Lithuania; they emphasised the fact that the Lithuanians, together with the white Russians, constituted the original

population of this territory, although a portion of them do not speak Lithuanian, and that the Polish-speaking inhabitants do not exceed 20 % of the total population of the territories in dispute. Lastly, they said that the basis of the Niemen constituted an economic unit, of which Vilna was the natural centre, and that, if this unit were divided, this town and its district would fall into decay. They refused to admit the value of any manifestation in favour of union with Poland under the present regime of military occupation.

"The Polish Delegation pointed out that the word 'Lithuanian' had a double meaning, since it was sometimes used to denote a definite ethnographical region and sometimes to denote an historical territory—the Grand-Duchy of Lithuania—which had never possessed the characteristics of a nation in the modern sense of the word, and which, as its history showed, had been, since the 14th century closely associated with Poland and permeated with Polish culture. Vilna was the capital of this Grand-Duchy, and not of the ethnographical Lithuania.

"The Polish Delegation contested the statistical data upon which the Lithuanian claim was based, and estimated the Polish element at more than 60 per cent of the population of the territory in dispute. It refused to admit that the Government of the Soviets had any right to dispose of Vilna and its territory, seeing that it had itself on August 28th, 1918, cancelled all treaties referring to the partition of Poland. The Delegation quoted Article 3 of the Treaty of Riga, in which Soviet Russia declared that the settlement of all territorial disputes between Poland and Lithuania west of the frontier fixed by that Treaty exclusively concerned these two States.

The Delegation contested the necessity, from an economic point of view, of attaching the Vilna territory to Lithuania, and declared that the territory in question could only recover its prosperity with the aid of Poland. Lastly, it pointed out that the population continued to give expression to its desire to belong to Poland, and declared that its future could not be decided without reference to the population."

To reconcile such conflicting claims and to find an equitable solution for this complex problem, the Council successively tried three different methods—reference to the population, direct negotiation between the representatives of the two States, and a recommendation on the lines of Article 15 of the Covenant.

A. — ATTEMPT TO HOLD A REFERENDUM

Following the precedents created by the various treaties of peace which had provided for the consultation of the populations concerned by means of a plebiscite, notably as regards the delimitation of the frontiers of Poland, the Council first recommended this solution in a resolution dated October 28th, 1920.

In order that this referendum should take place as quickly as possible, the Council sent to the territory in question a Civil Commission, also presided over by Colonel Chardigny, and composed of General Burt (Great Britain), M. de Brichanteau (Italy), M. Soura, the Spanish Consul-General at Brussels, and M. Naze, the Belgian Consul. This Commission immediately set to work to determine the procedure for a plebiscite and to take all the administrative and political measures necessary for its preparation. Moreover, the Council decided to send out an international police force to

keep order in the districts to be evacuated by General Zeligowski's troops; Great Britain, France, Belgium, Spain, Sweden, Denmark, Norway and Greece offered contingents, and the Netherlands Government signified its readiness to lay a bill before Parliament authorising it to add a detachment to those of the other Powers.

This scheme provided for a kind of international expedition which, as M. Hymans said, was to be not a warlike but a peaceful expedition which would testify to the sense of international solidarity of the members of the League.

While the Commissions of the League of Nations which had been sent to the scene of the dispute were endeavouring to carry out the necessary measures for the organisation of the plebiscite, a Committee of the Council, composed of M. Léon Bourgeois, the French representative, M. Quiñones de León, the Spanish representative, and Viscount Ishii, the Japanese representative, was formed to keep in touch with the activities of these Commissions, to send them instructions, and to communicate with the Governments to which the organisation of the expeditionary force had given a direct interest in the solution of the dispute.

The information which reached this Committee with regard to the local conditions revealed numerous difficulties. The Military Commission of Control had been unable to secure any reduction in the strength of the opposing forces. The Lithuanian Government raised various objections and, in particular, disputed the possibility of organising a referendum in a district in which the inhabitants had been subjected to a military occupation. It would therefore have been necessary to quarter the international police force for a prolonged period in the disputed areas in order to re-establish a normal situation by degrees and, so far as possible, restore perfect freedom of choice to the population. But a rapidly organised plebiscite and an expedition of short duration was

what had been contemplated. The reports received from the Commissions on the spot revealed other difficulties. Votes would have had to be given to the White-Russian inhabitants, who were comparatively numerous and who did not appear to be competent to pronounce on the nationality question. It therefore appeared doubtful whether a plebiscite in these districts would give clear and definite results of a nature to provide satisfactory data for the demarcation of the frontier. It had been found impossible also to secure an agreement between the two countries concerned regarding the delimitation of the territory in which the plebiscite should be held. The sanitary conditions of the district to which the international police force was to be sent were such as to give rise to some misgivings to the Governments which had consented to take part in the expedition. Lastly, a difficulty of another kind arose : the Swiss Government objected to the passage through its territory of certain contingents of the international police force.

In view of these difficulties, the Council of the League of Nations, in the course of its Twelfth Session held at Paris from February 21st to March 4th, decided to give up the idea of a plebiscite, after hearing the Commission's report; the opinion of the Special Committee of the Council, and the conflicting views of the two parties. It therefore resolved to withdraw the Civil Commission, but maintained the Military Commission of Control and endeavoured to provide another method of peacefully settling the dispute.

B. DIRECT NEGOTIATIONS BETWEEN THE TWO STATES

In a resolution dated March 3rd, 1921, the Council defined as follows the procedure of conciliation proposed to the Polish and Lithuanian Governments :

"Direct negotiations on equal terms to be opened between the two Governments at Brussels within one month under the presidency of M. Hymans, in order to arrive at an agreement which should settle all territorial economic and military questions in dispute between the two countries."

The negotiations opened (in May 1921) with an exchange of views, in the course of which the representatives of the two countries stated the claims of their respective Governments.

With this information before him, M. Hymans proposed as a basis for discussion a preliminary scheme of settlement closely co-ordinating the question of the attribution and status of the disputed territory and that of the general relations between the two States.

M. Hymans' Draft.

The following are the salient points of the draft proposed by M. Hymans :

1. Preamble.

The two States mutually recognise each other's sovereignty and recognise that they have common interests requiring the establishment of a special form of co-operation.

2. Status of the disputed territory.

The Vilna district to constitute an autonomous canton forming part of a Federal State of Lithuania. The Central Government at Vilna to have the same powers as the Swiss Federal Government.

The Army to be organised on a basis of local recruiting under a single command. The Polish and Lithuanian languages to be the official languages throughout the State. Ample guarantees to be accorded to minorities.

3. Organisation of liaison between the two States.

(a) *Foreign affairs.* — A joint Council for Foreign Affairs consisting of officials of the two Governments to decide by a majority of votes what are the questions which jointly concern the two countries, with a view to taking common action. Delegations from the two Diets selected in accordance with a system of proportional representation to consider jointly all measures of foreign policy which require legislative sanction. The text approved by them to be submitted to the two Diets for ratification.

(b) *Military organisation.* — A defensive military convention between the two States to be drawn up permitting co-operation as regards mobilisation of transport, use of bases, etc. A single command to be established in the event of joint military operations (the main body of Lithuanian troops to be left, however, under Lithuanian command). In case of disagreement regarding the defensive character of the operations, the decision to lie with an arbitrator previously appointed by the Council of the League of Nations or by the President of the Permanent Court of International Justice;

(c) *Economic and transit questions.* — An economic convention of a more comprehensive nature than the most-favoured-nation clause to cover the reciprocal admission of the two countries' products. A common organisation to see that the Agreement is carried out. Free access to the Lithuanian ports to be granted to Polish traffic. The Allied Powers to be requested, when handing over Memel to Lithuania, to reserve a private right of access to Poland.

• 4. *Arbitration.* — In case of disagreement as to the interpretation of the Convention, the two countries to accept the decision of an arbitrator appointed by the League of

Nations or by the Permanent Court of International Justice.

Suspension of the Negotiations.

The two delegations which had met at Brussels were asked by M. Hymans to state whether they considered this draft to be acceptable as a basis for discussion.

On May 27th, the Lithuanian delegation replied in the affirmative but pointed out that this acquiescence did not constitute an undertaking to accept either any particular article or the whole draft, and that it was subject to a similar acceptance by the Polish delegation of the text of the draft as a basis for discussion.

On May 28th, the Polish delegation returned a conditional reply. It declared that the principles of the draft could be regarded as a basis for discussion only if they were accepted by the population of Vilna and its district, and that consequently the negotiations could be proceeded with only if the population concerned took part therein on an equal footing.

M. Hymans pointed out that this entirely new demand was in contradiction with the agreement that the dispute should be settled by direct negotiation between the two States. He therefore felt obliged to suspend the negotiations and refer the matter back to the Council.

Attempts to resume Negotiations.

At its session in June 1921, the Council considered the result of the Brussels negotiations, and, after expressing the opinion that the draft proposed by M. Hymans was calculated to lead to an agreement, adopted a resolution inviting

the two Governments to resume negotiations on July 15th upon the basis of M. Hymans' draft scheme.

In consideration of the observations submitted by Poland, the Council added that, with a view to affording a guarantee to the various ethnical groups of the populations concerned that their feelings and claims would not be ignored, one or two representatives of each group might, at the suggestion of either party, be heard in the course of the negotiations for the purpose of giving information to the Conference; moreover, the Agreement signed by the Governments would be submitted to the Diets of the two countries and subsequently to that of Vilna, the establishment of a Diet for the latter being provided for in the draft scheme.

In order to provide a provisional organisation for the disputed territory, the Council recommended that all the men in the forces of occupation who were not natives of the disputed territory should be withdrawn from the territory; from July 15th onwards, a local police force not exceeding 5,000 men would be organised to assure the maintenance of order. Officials who were not natives of the country should also be gradually withdrawn.

Before September 1st, the Lithuanian troops should reoccupy their normal peace stations and their strength should be reduced. The Military Commission of Control would remain on the spot, see to the execution of these measures, and endeavour to open the Vilna-Grodno railway to traffic.

This recommendation of the Council was not accepted without reservations by the Polish Government, which declared that the Polish soldiers serving in General Zeligowski's army would be recalled to Poland, but that the Polish Government could not undertake to do more than transmit to that General the Council's wishes regarding the reduction of the forces remaining under his command.

The Lithuanian Government on the other hand declared that it was not in a position to give effect to the Council's recommendations. It demanded the return to the *status quo* before General Zeligowski's act of violence. These refusals rendered impossible the resumption of direct negotiations recommended by the Council. Nevertheless M. Hymans was anxious to call a further meeting of the representatives of the two countries before the next session of the Council, with a view to seeking once more a common ground for agreement. His invitation was accepted and on August 26th, 1921, negotiations were resumed at Geneva, first in the form of private discussions and later in an official form.

Resumption of Negotiations.

M. Hymans gave the two parties to understand that he considered it impossible to pursue the negotiations in the form in which they had hitherto been conducted, as the discussions threatened to go on indefinitely without any result. A definite solution must be found, and if the agreement of the two parties could not be obtained to any proposal of conciliation, it would be left to the Council, in conformity with Article 15, paragraph 4, of the Covenant, to make a final recommendation as a conclusion to the proceedings which it had instituted.

The Belgian representative accordingly invited the representatives of the two Governments to pronounce with the least possible delay on a slightly modified draft of his original proposal.

M. Hymans' Second Draft.

This second draft differed from the first only in the following respects :

(a) Status of Lithuania :

The organisation of the Lithuanian State would not

necessarily be federal. The Canton of Vilna, however, would retain the same guarantees of autonomy as in the first draft.

(b) Organisation of liaison in foreign affairs :

The task of settling questions of common interest to the two countries would belong not to a Council composed of officials but to the delegations of the two Diets also specified in the first draft.

(c) Additions :

A new provision stipulated that :

If Poland or Lithuania should in future desire to propose amendments in the present agreement they undertake to submit such amendment to the Council of the League of Nations.

(d) Protocol annex :

A protocol laid down that after the agreement had been approved by the two Governments a meeting of the representatives of the population of the disputed territory should be called at Vilna to provide them with an opportunity of giving their opinion on the scheme. This opinion would be directly communicated to the Council of the League of Nations by the Diet of Vilna to allow the Council to make any changes it might think fit, taking into account the wishes of the population.

Breakdown of Negotiations.

When called upon to pronounce on this new proposal, the two delegations sent written replies which made it impossible to proceed with the negotiations. .

The Lithuanian representatives, while not rejecting the draft, demanded the introduction of amendments which

would have seriously altered its character.' The Polish Delegation declared that, having accepted the Council's recommendation of June 28th approving M. Hymans' first draft as a basis for discussion, it saw no reason to modify its original attitude, nor could it approve of a new procedure proposed to secure the acceptance as a whole of a new draft agreement.

C. FINAL RECOMMENDATION BY THE COUNCIL

At its meeting of September 19th, 1921, the Council heard a report by M. Hymans on his final efforts to induce the representatives of the two Governments to accept a solution. It also heard the statements of the Polish and Lithuanian Delegates, who explained their attitude regarding M. Hymans' second draft. At a meeting held on the next day, September 20th, each of the members of the Council in turn spoke in favour of the procedure proposed by M. Hymans and urged the representatives of the two countries to accept the means which were offered them of reaching an equitable solution of the dispute.

The Council then unanimously adopted the following recommendation :

"The Council of the League of Nations,

"In view of the report submitted to the Council by M. Hymans on June 27th last with regard to the Brussels negotiations;

"And in view of the fact that the Council, by its Resolution of June 28th, unanimously approved the draft scheme drawn up by M. Hymans in agreement with the two delegations, and was of opinion that this draft should lead to a definite agreement between Poland and Lithuania;

"Having considered M. Hymans' report upon the action taken in pursuance of the Council's Resolution of June 28th, and on the present position of the dispute;

"Having heard the arguments advanced by the two delegations;

"Considering that —

"(1) In the course of the direct negotiations presided over by M. Hymans, the latter obtained the assent of both parties to the preparation of a draft scheme as a basis for agreement;

"(2) Considering that M. Hymans' first draft, the Council's Resolution of June 28th, and M. Hymans' second draft, as communicated to the two delegations on September 3rd, differ only in detail and are based on the same principles, *i. e.* the constitution of the Vilna territory as an autonomous canton on a basis similar to that of the Swiss Constitution, within the Lithuanian State, and a political, military and financial understanding between Poland and Lithuania;

"(3) Considering that the principles of the autonomy of the region of Vilna within the Lithuanian State and of the political, economic and military understanding between the two countries have received the general approval of both parties (see the Lithuanian Delegation's letters of May 27th and September 12th, the telegram from the Polish Minister of Foreign Affairs of July 15th and the letter from the Polish Delegate of September 13th) and considering that the difficulties which still remain relate to the application of these principles;

"And being of opinion that, as complete agreement has not been obtained, the Council is bound, in conformity with Article 15, paragraph 4, of the Covenant, to publish the recommendations which are deemed just and proper in regard thereto;

"The Council unanimously adopts M. Hymans' second draft scheme.

"Since the Assembly is actually in session, the Council further decides to request M. Hymans to explain to the Assembly the present position of the dispute, in order that the Assembly may, by its authority, contribute to a settlement of the question."

III. THE DISPUTE BEFORE THE SECOND ASSEMBLY

In conformity with the Council's resolution, M. Hymans gave the Assembly an account on September 24th, 1921, of the Council's efforts to find a solution for the Polish-Lithuanian dispute. He reviewed one by one the attempts which had been made in the course of the past twelve months. He explained the reasons for which the proposed programme had been abandoned and direct negotiations broken down, and justified the considerations on which the preliminary draft had been based and the subsequent changes made in the draft to render it easier of acceptance. Lastly, he showed how the Council, having exhausted all other means of conciliation, had been led to make a final recommendation in conformity with Article 15, paragraph 4, of the Covenant.

In conclusion, he asked the Assembly to give the Council the full support of its authority with a view to inducing the two Governments to come to an understanding and to accept a conciliatory and peaceful solution.

Appealing to the statesmanship and good-will of the Governments concerned, he added :

"In the name of these peoples, as the representatives of the world assembled here in an attempt to attain at last the peace which flies from us, in the attempt to realise in

practice the peace which we have proclaimed upon paper, but which has not yet been finally established, we solemnly ask them to achieve this great act of peace, of consent and of conciliation.

: In the debate which ensued, the Lithuanian delegate justified his Government's attitude by recalling the obstacle placed in the way of a friendly settlement of the dispute by the act of violence accomplished by General Zeligowski, who, notwithstanding the efforts of the Council, had not yet evacuated the disputed territory.

At the following day's meeting the Polish representative stated the reasons for which his Government had found itself unable to accept the Council's recommendations and concluded by proposing as a final method of solution to call upon the populations concerned to pronounce on their own fate.

Subsequently, M. Freire D'Andrade, the Portuguese representative, Lord Robert Cecil, the South African representative and M. Zahle, the Danish representative, made speeches calling upon the two Governments to show a conciliatory spirit. Lastly, M. Bourgeois, the French representative, associated himself with this appeal, voicing the Assembly's feelings in the following words :

"The spirit which has animated our debate is the spirit which puts the common interest—the major interest of peace—above the limited, and special interests of each country; the spirit which induces each one of us to consent to sacrifices, in one matter or another submitted to us, in order to reconcile our real and legitimate interests with the major interests... this is what both countries must determine if they wish to be in harmony with the spirit of the Assembly."

The following resolution submitted in the course of the

debate by Lord Robert Cecil and M. Zahle was then unanimously adopted :

"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 September 20th, 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."

Conclusion of the Council's Action on the Spot,

The negative attitude adopted by the two Governments towards the Council's final recommendation was confirmed by the declarations made by the Polish and Lithuanian representatives before the Council at its meeting of January, 12th, 1922, the Lithuanian Government stating its inability to accept M. Hyman's second draft without considerable amendments, and the Polish Government judging it impossible to waive its previous objections.

Withdrawal of the Military Commission of Control.

The Council's action had, therefore, to come to an end, and by a Resolution dated January 13th, it decided to withdraw the Military Commission of Control within one month.

The withdrawal of the Commission raised the question of the suppression of the neutral zones which had been

established under the supervision of the Commission to separate the opposing forces. The Council thereupon expressed the opinion that the best solution would be to substitute for the neutral zones, which threatened to become the scenes of disorder, a provisional line of demarcation which would in no way prejudice the rights of the two States.

Before bringing its efforts to a close, the Council gave its attention to certain subordinate questions which had hitherto been partially solved in consequence of the presence of the Military Commission of Control. It had, for example, to consider the question of diplomatic and consular relations between the two States. It enjoined them to endeavour to re-establish these relations without delay, or at any rate to entrust their respective interests to representatives of friendly powers who would undertake to see that the measures of pacification recommended by the Council were observed.

The Council also gave its attention to the protection of minorities in the disputed territory and asked the two parties to allow the League of Nations to send representatives, if necessary, to study the situation and report to the Council.

Suppression of the Neutral Zones.

It was not long before the withdrawal of the Military Commission of Control resulted in additional hardships for the inhabitants of the neutral zones, as these areas were neither administered nor policed. Acts of violence became frequent, so much so that the Council deemed it necessary to consider the suppression of a system the dangers of which outweighed the advantages.

Accordingly, by a Resolution dated May 12th, 1922, it sent M. Souza, who had been a member of the Civil

Commission for the Plebiscite, to study the establishment of a provisional line of demarcation. The Lithuanian Government opposed this project, but it was accepted by the Polish Government. After several months of delay, during which the disadvantages of maintaining the neutral zones became more and more evident, the Council, in a Resolution dated February 3rd 1923, gave each of the two Governments the option of establishing a regular administration in the neutral zones on either side of a line of demarcation adopted on the recommendation of the Council's delegate.

Thus concluded the Council's action in the disputed areas, which the Council's efforts, over a period of two years, had prevented from becoming the scene of serious conflict (1).

UPPER SILESIA

The Treaty of Versailles laid down in Article 88 that a plebiscite should be held by communes in a portion of

(1) A few weeks later, another authority, the Conference of Ambassadors, substituted a final settlement for the provisional regime established by the Council of the League of Nations.

In exercise of the right they had reserved, in virtue of Article 87 of the Treaty of Versailles, of fixing the frontiers of Poland other than those laid down in the Treaty itself, the Principal Allied and Associated Powers, represented on the Conference of Ambassadors took a decision on March 15th 1923, fixing all the Polish frontiers which had not yet been settled, including the Polish-Lithuanian frontier. The political frontier thus fixed coincides with the provisional line of demarcation proposed by the Council of the League of Nations.

It may be noted that the Lithuanian Government registered its protest against this decision of the Ambassadors' Conference.

German Upper Silesia defined by the Treaty in order to determine whether the inhabitants wished to remain German or to become Polish. A frontier was subsequently to be traced by the Principal Allied Powers in accordance with the wish of the population as shown by the plebiscite and taking account of geographical and economic circumstances.

The plebiscite, which was prepared by an International Commission, was held on March 20th, 1921. A Polish insurrection broke out in Upper Silesia just as the International Commission was about to communicate to the Supreme Council its report on the results of the plebiscite.

The Supreme Council met on June 20th, but neither the members of the Plebiscite Commission, a Committee of Experts, nor the representatives of the Governments on the Supreme Council were able to agree as to how the new frontier should be traced. The difference of views was sharpest when it came to delimiting and describing the industrial and mining area of Upper Silesia. According to the British view there was in this district an "indivisible triangle", comprising the industrial area properly speaking (but not the mines to the south), inhabited by a population the majority of which had voted for Germany; the French view insisted that the mining basin and industrial area formed a whole and that it was impossible to treat the industrial triangle as though it were an isolated district.

In spite of an attempt at a compromise between these views made by Count Sforza, Minister of Foreign Affairs of Italy, it was impossible to reach agreement. There was a risk that the question might lead to a rupture between the Allies and hostilities between Poland and Germany.

I

SUPREME COUNCIL REFERS THE QUESTION TO THE LEAGUE

On August 12th, 1921, M. A. Briand, as President of the Supreme Council, wrote to Viscount Ishii, President of the Council of the League of Nations, to inform him that the Supreme Council had decided to submit to the Council of the League of Nations "the difficulties attending the fixing of the frontier between Germany and Poland in Upper Silesia, and to invite the Council to indicate to them the solution which it recommends as to the delimitation of the frontier which the Principal Allied and Associated Powers should adopt". The Supreme Council's request to the Council of the League of Nations was made in virtue of Article 11, paragraph 2, of the Covenant of the League of Nations, which declares that it is "the friendly right of each member of the League to bring to the attention of the Council any circumstance whatever affecting international relations which threatens to disturb international peace or the good understanding upon which peace depends".

M. Briand added that "in view of the situation in Upper Silesia, the Council of the League was requested to treat the matter as one of the utmost urgency", and he drew the particular attention of the Council to the importance which the Allied Powers attached to a prompt consideration of the question.

The Council of the League convened.

On August 12th, Viscount Ishii informed M. Briand that he had summoned the Council of the League of Nations to meet in extraordinary session at Geneva on August 29th, and expressed the firm conviction that "in view of the text

and the spirit of the Covenant" his colleagues on the Council would declare themselves ready to assume the task entrusted to them by the Supreme Council. Viscount Ishii also specified the conditions on which the Council of the League of Nations would undertake to consider the question. He observed that the Supreme Council had announced its intention to do all in its power to prevent any trouble arising in Upper Silesia which might embarrass the deliberations of the Council. As the question had been referred to the Council "without reserve or restriction", the Council would consequently have "complete liberty to deal with it as it might consider advisable". The Governments represented on the Supreme Council would refrain from any action which might infringe this liberty or prejudice an impartial consideration of the question by the Council of the League. In conclusion, Viscount Ishii expressed the hope that the Council of the League of Nations would submit in the near future a recommendation unanimously adopted by all its members.

Viscount Ishii himself undertook to submit a report to the Council on this question.

The Council of the League accepts the task.

On August 29th the Council of the League met in extraordinary session. It was composed as follows : Viscount Ishii (Japan), President; M. Hymans (Belgium), M. Da Cunha (Brazil), Mr. Wellington Koo (China), M. Léon Bourgeois (France), Mr. Balfour (Great Britain), the Marquis Imperiali (Italy) and M. Quiñones de León (Spain).

In his report, Viscount Ishii reminded the Council that each of the Governments represented on the Supreme Council had solemnly undertaken to accept the solution recommended by the Council of the League of Nations.

"I think", he continued, "that in these circumstances it is not only the right but also the duty of the Council to accept the role which, in the spirit of the Covenant, it has been asked to assume and in the fulfilment of which its liberty of action and authority will be fully guaranteed." He then surveyed the political and economic difficulties involved in the question. "What the authors of the Treaty of Versailles desired", he observed, "was the determination of the frontier, no particular line being either prescribed or excluded in advance. The Treaty does, however, lay down the guiding principles which should govern the decision. It states that, 'in drawing the frontier line, regard will be paid to the wishes of the inhabitants as shown by the vote, and to the geographical and economic conditions of the locality'. The results of the plebiscite were not of a nature to allow the frontier-line to be drawn according to the wishes of the population, nor did the economic and geographical conditions of the localities give any decisive indications to show how a line should be determined. Indeed, the fact that the two considerations had to be taken into account only complicated the situation".

The members of the Council decided unanimously to accept the Supreme Council's invitation.

The Council adopts a Plan of Action.

At a second meeting, held on September 1st, the Council, having taken note of the documents communicated to Viscount Ishii by the Supreme Council, notably a historical survey of the work of the Peace Conference in regard to Upper Silesia, adopted a plan of action for the study of the question.

It was decided, "with a view to enabling the Council to arrive in complete independence at an opinion on the question which had been submitted to it", that the preliminary examination of the question should be entrusted to the

representatives of Belgium, Brazil, China and Spain. States which had so far taken no part in the preliminary investigations or in the discussions to which those investigations had given rise. This Committee of the Council was instructed to study the various aspects of the problem with the help of the documents forwarded by the Supreme Council and of any other means of information. It had the right to seek such information as it might think useful and to obtain such expert advice as might be necessary. The Council further recommended the Committee to choose its experts from among such persons as had taken no part in the previous investigations and discussions, and as far as possible from among such persons as had already collaborated in the work of the technical organisations of the League. It was also provided that, with a view to supplying local information, inhabitants (both German and Polish) of the territory of Upper Silesia might be heard. The services of the Secretariat were placed at the disposal of the Committee. The Council reserved the right to meet at any moment to examine the results of the investigations which were taking place.

In the course of the same meeting on September 1st the representatives of France and Great Britain made declarations concerning the spirit in which the Council undertook the study of the question.

"The Council", said Mr. Balfour, "has determined not merely to make an independent examination of the question but to do so under conditions which will remove any suspicion that it is being dealt with from the viewpoint of any one country rather than another. The Council will approach the question in that spirit of complete detachment from narrow and individual views which I hope it will always display, and will make a deliberate and determined effort to deal with the problems before it impartially and in the broadest spirit."

M. Bourgeois then said : "The Council's desire is to examine in a spirit of entire independence and impartiality the difficult problem submitted for its consideration. Public opinion will not be deceived; it will realise that our method is an entirely impartial method, like that which the most disinterested judges and courts endeavour to follow in their own proceedings".

II

THE RECOMMENDATION OF THE COUNCIL OF THE LEAGUE

The Committee of Four immediately entered upon its duties. In accordance with the Council resolution of August 29th, it considered "the various aspects of the problem" and obtained such expert advice as was necessary.

Meanwhile, the other members of the Council continued to follow the affair and to examine the results of the investigations. After six weeks' work the Committee of Four was able to submit a draft recommendation to the Council.

Preparation of the Solution.

In considering the problem, the Committee of Four was obliged, under the provisions of the Treaty, to take into consideration both the wishes of the inhabitants, as shown by the plebiscite, and the geographical and economic conditions of the country.

The first difficulty was that those of the inhabitants who had voted in favour of Germany and those who had voted in favour of Poland were inextricably intermixed, both geographically and in their economic interests—in varying pro-

portions it is true, but everywhere with large minorities--throughout the richest and most populous part of the territory.

It was not possible to devise a frontier which would not leave in Polish territory a certain number of persons who had voted for Germany, and in German territory a certain number who had voted for Poland. The utmost that the Council could do was to endeavour to reduce the number of these cases to a minimum by adjusting the frontier-line as closely as possible to the results of the plebiscite.

Any frontier line drawn in accordance with the foregoing conditions was bound to cut across districts which were closely interdependent from an industrial standpoint. The creation of a new frontier in such a region, which had developed economically under a single political and industrial regime, might have the most disastrous results on either side of the frontier; it would certainly have had such results if it had led to the immediate establishment of a new Customs barrier, the dislocation of common services such as the supply of water or motive power, the introduction of a new currency and the application of new civil and industrial legislation.

This economic difficulty could not be evaded by a few slight modifications in a line drawn according to the results of the plebiscite. Even had several districts in which the vote showed a clear but not overwhelming predominance of one nationality been assigned in accordance with economic considerations and not with the plebiscite, the line would nevertheless have cut across the most closely interdependent economic organisations. The Council was confronted by the fact that any line which did not cut across the industrial district would involve the disappointment of the hopes and aspirations not merely of small majorities in unimportant neighbourhoods but of large majorities in districts of great

importance. Moreover, the plebiscite had not merely given voice to these hopes and aspirations; it had encouraged them. This was the intrinsic difficulty of the problem.

The Committee of Four was brought to the conclusion that it was not possible to solve the problem merely by drawing a frontier line having regard solely to the plebiscite, to economic considerations, or to a compromise between the two methods.

Whatever frontier might be drawn by any of these methods, the results, in the absence of any other special provision, would have been calamitous.

The Committee of Four therefore decided, after an exhaustive investigation, to recommend that, whatever new frontier line were adopted, there should be guarantees against any dislocation of existing economic conditions for a period sufficient to permit of the economic system being adjusted gradually to the new state of affairs.

The Committee, therefore, applied to experts for an opinion as to what general measures would be calculated to maintain continuity in the economic life of Upper Silesia and to reduce the difficulties of the period of transition to a minimum. The experts were asked to examine the needs of the territory in their economic, industrial, financial and administrative aspects. They were to consider the distribution of water and electric power, the exchange of fuel, raw materials and labour, the financial organisation of industry, vested interests in concessions, the Customs regime and social legislation. They were instructed to avoid, as far as possible, making any proposal which would involve administrative complications. They were not required to consider the fixing of the frontier line, with which they were not acquainted until after the conclusion of their work. The problem was put before them in general terms, so that their

replies might hold good whatever territorial solution might ultimately be adopted.

The experts appointed to study these problems were M. Hodacz, General Secretary of the Federation of Czechoslovak Manufacturers, Member of the Governing Body of the Labour Office, and M. Herold, Director of the Toggenburg Railways, Professor at the University of Zurich, Member of the League Committee on Communications and Transit. Both were experts of admitted authority who had specialised on the subjects concerned; they were members of technical organisations of the League of Nations, and were entirely disinterested. Ample documentary information was placed at their disposal. They also questioned German and Polish technicians and representatives of German and Polish trade unions.

The political work—that of deciding upon a frontier line, which the Committee of Four had itself undertaken—and the work connected with the economic life of the territory and of the means of ensuring its continuity, which had been entrusted to the experts, were pursued on parallel lines. As it was not possible to avoid leaving fairly considerable dissident minorities on both sides of the frontier, the Committee tried as far as possible to make these minorities equivalent, while leaving to each of the States concerned a total population corresponding to the number of votes cast in its favour.

The Council's Recommendation.

On Wednesday, October 12th, the Council, meeting in plenary session, examined and adopted unanimously the report of the Committee of Four. On the same day, the text of the Council's recommendation, with the attached documents, was forwarded to the Supreme Council by special courier.

The text and documents forwarded comprised :

- (1) The recommendation itself, with the description of the frontier line between Germany and Poland in Upper Silesia;
- (2) Transitional measures of an economic nature;
- (3) Clauses relating to rights of nationality and domicile and protection of minorities in Upper Silesia,

The recommendation contained the following statement of the general principles by which the Council had been guided in its efforts to reach a solution :

“The Council has endeavoured to interpret faithfully and in an equitable spirit the provisions of the Treaty of Versailles with regard to Upper Silesia. The Council, being convinced that its duty was above all to endeavour to find a solution in conformity with the wishes of the inhabitants as expressed by the plebiscite, while taking into account the geographical and economic situation of the various districts, has been led to the conclusion that it is necessary to divide the industrial region of Upper Silesia. Owing to the geographical distribution of the population and the mixture of racial elements, any division in this district must inevitably result in leaving relatively large minorities on both sides of the line and in separating important interests.

“In these circumstances, the Council considered that it would be desirable to take measures to guarantee, during a provisional period of re-adjustment, the continuity of the economic life of this region, which, owing to the density of its population, the number of its industrial undertakings, and the closely woven network of its means of communication, possessed the

character of a vast agglomeration. It was also of the opinion that it would be desirable to provide for the protection of minorities."

The frontier line between Germany and Poland in Upper Silesia was described in the following way :

"The frontier line would follow the Oder from the point where that river enters Upper Silesia as far as Niebotschau; it would then run towards the north-east, leaving in Polish territory the communes of Hohenkirchen, Wilhelmsthal, Raschutz, Adamowitz, Bogunitz, Lissek, Summin, Zwonowitz, Chwallenczitz, Ochojetz, Wilcza (Upper and Lower), Krisvald, Knurow, Gieraltowitz, Preiswitz, Makoschau, Kunzendorf, Raulsdorf, Ruda, Orzegow, Schlesiengrube, Hoehnlinde; and leaving in German territory the communes of Ostrog, Markowitz, Babitz, Gurek, Stodoll, Niederdorf, Pilchowitz, Nieborowitzer, Hammer, Nieborowitz, Schönwald, Ellguth, Zabrze, Sósica, Mathesdorf, Zaborze, Biskupitz, Bobrek, Schombert; thence it would pass between Rossberg (which falls to Germany) and Birkenhain (which falls to Poland) and would take a north-westerly direction, leaving in German territory the communes of Karf, Miechowitz, Stollarzowitz, Friedrichsville, Ptakowitz, Larischhof, Miedar, Hanusek, Neudorf-Tworog, Kottenlust, Potemba, Keltsch, Zawadski, Pluder-Petershof, Klein-Lagiewnik, Skrzidlowitz, Gwosdzian, Dzielma, Cziasnau, Sorowki, and leaving in Polish territory the communes of Scharley, Radzionkau, Trockenberg, Mikoleska, Drathhammer, Bruschiek, Wüstenhammer, Kokotte, Koschmieder, Pawonkau, Spiegelhof (Gutsbezirk), Gross-Lagiewnik, Glinitz, Kochscütz, Lissau.

"To the north of the latter place it would coincide with the former frontier of the German Empire as far as the point where the latter frontier joins the frontier already fixed between Germany and Poland."

Transitional Measures.

The measures which the Council considered necessary in order to ensure the continuity of the economic and social existence of Upper Silesia, and to reduce to a minimum the inconvenience of the period of readjustment, were chiefly designed "to preserve, for a certain time, for the industries of the territory separated from Germany, their former markets; and to ensure the supplies of raw material and manufactured products which are indispensable to these industries; to avoid the economic disturbances which would be caused by the immediate substitution of the Polish mark for the German mark as the sole legal currency in the territory assigned to Poland; to prevent the working of the railways serving Upper Silesia from being affected by the shifting of the political frontier; to regulate the supplies of water and electricity; to maintain freedom of movement for individuals across the new frontier; to guarantee respect for private property; to guarantee, as far as possible, to the workers, that they shall not lose, in the portion of territory assigned to Poland, the advantages which were secured to them by German social legislation and by their Trades Union organisation, and, finally, to ensure the protection of minorities on the basis of an equitable reciprocity". The provisional régime was to remain in force for fifteen years.

The Council proposed that the measures for the establishment of this régime should be worked out in detail in the form of an international convention between Germany and Poland.

For the preparation of these temporary measures and for the supervision of their application the Council considered that it was necessary to set up a Commission composed of an equal number of Germans and Poles from Upper Silesia and of a President of another nationality, who might be designated by the Council of the League of

Nations. This commission might be called "The Upper Silesian Mixed Commission". It would be essentially an organ of supervision. The Council considered that it would also be expedient to constitute an arbitral tribunal to settle any private disputes which might be occasioned by the application of the temporary measures.

The Council's recommendation concluded in the following terms : "The Council is convinced that this scheme, taken as a whole, and after certain points have been made explicit, will safeguard the interests of the population, the sacrifices which it requires from each of the Governments being compensated for by the guarantees which it affords in favour of such of their nationals as are to be transferred to another sovereignty"

III

THE POLISH-GERMAN CONVENTION

On October 20th, the Conference of Ambassadors, delegated by the Powers represented on the Supreme Council to receive on their behalf the recommendation of the Council of the League of Nations, decided to adopt it, together with the findings of the attached reports relating to economic questions and to the treatment of minorities.

The Conference of Ambassadors also requested the Council of the League of Nations to select the person who should preside over the Germano-Polish negotiations for the purpose of drawing up the Convention proposed by the Council's recommendation, and to appoint the President of the Mixed Commission and the President of the Court of Arbitration.

The Drafting of the Convention.

The Council of the League selected M. Calonder, ex-President of the Swiss Confederation, to preside over the Germano-Polish negotiations, which opened at Geneva on November 23rd. Germany was represented by M. Schiffer, former Imperial Minister, Dr. Lewald, former Secretary of State, and Count von Schulenberg, of the Ministry of Foreign Affairs. Poland was represented by M. Olszowski, Minister Plenipotentiary, M. Perlowski, Counsellor of Legation, and M. Kramsztyk, Secretary to the Ministry of Foreign Affairs.

The Conference at once proceeded to appoint twelve Sub-Committees to draw up the different parts of the Convention. Ten of these Sub-Committees met in Upper Silesia. On February 14th, the Conference again met at Geneva to examine the results achieved by the Sub-Committees and to adopt the final text of the Convention. The work of the Conference was particularly arduous owing to the comprehensive nature of the questions with which it had to deal and by the difficulties not only technical but also racial and political presented by most of those questions. But the conciliatory spirit displayed during the discussions enabled agreement to be reached on almost every point without undue delay. Three principal questions retarded the conclusion of the Convention. One was the liquidation of German property and interests in the Upper Silesian area assigned to Poland; the second was the application to Polish Upper Silesia of the provisions of Article 256 of the Treaty of Versailles (transfer to Poland of goods and property belonging to the Prussian State or to the German State), and there were also certain questions connected with the protection of minorities. On no single occasion, however, was the President called upon to exercise his power to arbitrate. On May 15th, the drafting of the Convention was concluded, and the German and Polish Plenipotentiaries signed the text;

on the following day, at a public meeting, the Council of the League of Nations received the text of the Convention from M. Calonder.

This Convention, divided into six parts, contains 606 articles, with extensive annexes and a final protocol.

The first part is entitled "General Provisions", and is divided into three sections, the first dealing with the law in force in the two parts of the plebiscite territory, the second with the safeguarding of vested interests, and the third with the conditions for the expropriation of important industrial undertakings and large landed estates.

The second part deals with questions of nationality and domicile, and lays down the method of procedure in regard to the right of option granted to inhabitants of the plebiscite territory who desire to change their nationality.

The third part is devoted to questions connected with the protection of minorities and with the procedure of appeal by minorities against the decisions of the States under whose sovereignty they are situated. Article 72 lays down that "these provisions constitute obligations of international concern placed under the guarantee of the League of Nations".

The fourth part relates to social and labour questions, such as those of employers' unions, trade unions and social insurance.

The fifth part deals with economic questions, and is divided into eight sections, relating respectively to Customs, traffic, currency, mines, water and electricity, posts and telegraphs, and railways.

The sixth and last part is concerned with the organisation of the Mixed Commission and the Court of Arbitration for which provision was made in the Ambassadors decision.

The Mixed Commission is an organ of conciliation, while the Court of Arbitration is a judicial body. Both are established for a period of fifteen years. For labour questions the Mixed Commission is assisted by experts and by an Advisory Labour Committee, whose Chairman is appointed by the Governing Body of the Labour Office. The competence of the Court of Arbitration is extremely wide, not only in civil but also in administrative cases. Neither of these two liaison organisations encroaches upon the sovereignty of the two States. The Mixed Commission consists of two members from each of the two countries with a president of another nationality, while the Court of Arbitration is composed of one arbitrator from each of the two countries and a president of another nationality. Both the presidents are appointed by the Council of the League of Nations.

Provision is made in the Convention for intervention by the Council of the League of Nations in certain questions, particularly those connected with the protection of minorities. The competence of the Permanent Court of International Justice is admitted in two cases: it may decide whether new legislative provisions may be substituted for existing legislation in Polish Upper Silesia and it may settle any differences of opinion which may be occasioned by the application of the expropriation clauses.

The Council appointed M. Calonder, President of the Mixed Commission, and M. Kaeckenbeeck, a Belgian jurist, President of the Court of Arbitration. In both cases the Council's choice was in accordance with the unanimous wish of the two delegations.

In this way a settlement was reached in a matter on which both the experts and the Allied Governments were

divided, and which, unless quickly solved, threatened serious consequences.

As soon as the Council began its investigation of the question, the extreme tension which had existed before it was referred to the League of Nations subsided, and the Council's recommendation was drawn up in an atmosphere of complete calm.

The difficulty was to avoid dislocating the economic life of the plebiscite territory of Upper Silesia by dividing it in accordance with the results of the plebiscite. Thanks, however, to the measures recommended by the Council of the League, which were elaborated by an agreement between the two parties, this result was achieved. Although satisfaction has been given, as far as the intermixture of races permitted, to the desires expressed in the popular vote, the economic activity of the district has not been restricted, and the period of transition hitherto has passed smoothly and without any interruption of the economic life of the district.

ALBANIA AND THE LEAGUE

One of the results of the Balkan war of 1912-1913 was that at a Conference of the Ambassadors of the Great Powers held in London in July 1913, Albania was constituted "an autonomous sovereign Principality", and her neutrality was guaranteed by the Powers represented at the Conference. The Prince of Wied was appointed sovereign Prince of the Principality.

The Great War broke out before the Principality was fully established, the Prince of Wied left the country, and Albania was over-run by several of the belligerent armies. At the end of the war the Albanians formed a provisional government and constituted themselves an independent

state, but this state was not then recognised, nor were the frontiers laid down in the Protocols of London and of Florence in 1913 ever delimited. This was the position of Albania at the time the League was founded.

Admission to the League. — In November 1920, at the First Assembly of the League, Albania applied for membership. The Assembly Committee set up to report on such applications expressed the opinion that the admission of Albania should be adjourned until her political and territorial status had been more clearly established, but the Assembly nevertheless unanimously admitted Albania, considering the step to be in the interests of peace in general and of the peaceful progress of Albania in particular. As in the case of other States admitted to the League, Albania was requested by the Assembly to concert measures with the Council for the protection of minorities on the lines of the minorities treaties already in force in certain other States Members of the League. A declaration for the protection of minorities was subsequently negotiated between the Council and the Albanian Government, and signed by Albania on October 2, 1921.

The Frontiers of Albania. — In April 1921, the Albanian Government drew the attention of the League to the fact that Albania's frontiers which, it contented, had been fixed in 1913, were being encroached upon by Serbia and Greece and requested the League to obtain the evacuation by these two countries of the territories thus occupied.

The Conference of Ambassadors was at the time dealing with the question of Albania's frontiers, which it considered not to have been definitely fixed in 1913. The Council of the League therefore decided that it would not be advisable to take up simultaneously work already being dealt with by the Ambassadors' Conference, but asked the Conference to

take a decision with the least possible delay. Meanwhile, the Council requested the three States concerned to abstain from any act calculated to aggravate the situation.

Albania before the Second Assembly. — The question of Albania's frontiers remained unsettled when the Second Assembly of the League met in September 1921. The Albanian Government again raised the subject which, with the consent of the Council, was referred to the Assembly. The Assembly, recognising that the sovereignty and independence of Albania had been established by her admission to the League, took note of the fact that the Principal Allied Powers were generally regarded as the appropriate body to settle the frontiers of Albania—and in fact were on the point of doing so—and recommended Albania to accept their decision. In view of the conflicting allegations of the three States involved, the Assembly requested the Council to appoint an impartial commission of three persons to proceed immediately to Albania to report fully on the execution of the decision of the Principal Allied Powers when delivered, and on any disturbances that might occur on or near the frontier. The Council appointed this Commission of three—one from Luxemburg (Colonel Schaeffer), one from Norway (Major Meinich), and one from Finland (M. Thesley, replaced later by Professor Sederholm)—who were accompanied by a secretary of Swiss nationality.

Special Meeting of the Council. — The Commission arrived in Albania on November 19th, 1921, but before its arrival, the British Government, on November 7th, having learnt that Yugoslav troops had entered the Mirdite district of Northern Albania as a result of unrest in this area, and considering this event to be of a nature to disturb international peace, called the attention of the Council to the matter under Article 11 of the Covenant. It requested the Secretary-General to summon a special meeting of the Council to consider the situation and agree upon measures to be

taken under Article 15 of the Covenant should the need arise. In the telegram to the Secretary-General the British Prime Minister, Mr. Lloyd George, stated that the Conference of Ambassadors had now fixed the frontiers of Albania and that their decision would at once be notified to the interested parties.

The Council met on November 18th and heard the representatives of Great Britain, the Serb-Croat-Slovene Kingdom and Albania. It was informed that on November 9th the Conference of Ambassadors had definitely fixed the frontiers of Albania and it received a declaration from the Serb-Croat-Slovene Government that it proposed to respect this frontier and would take immediate steps to evacuate its troops from all territory thereby recognised as belonging to the Albanian State. The Council, therefore, gave instructions to its Commission of Enquiry to keep it informed of the withdrawal of both Yugoslav and Albanian troops from a provisional zone of demarcation and to assist in carrying out the evacuation. It instructed the Commission to examine and submit to the Council measures to end the existing disturbances and prevent their recurrence.

On December 10th the Commission reported that the evacuation had taken place and that the zone of demarcation separating Albania from the Serb-Croat-Slovene Kingdom was entirely free from troops of the two States. The Commission remained in Albania for some three months longer investigating various questions and making certain recommendations connected with frontier problems which were subsequently carried out by the Technical Frontier Committee appointed by the Conference of Ambassadors.

The Council Meeting in May 1922. — The Commission returned to Geneva for the meeting of the Council in May 1922. It had accomplished the principal object of its mission, for the country was pacified, its relations with

neighbouring States were improving, and, as a result of this twofold success, there was a strong desire on the part of the Albanians to begin developing the natural resources of their country. Lord Balfour, the representative of Great Britain on the Council, attributed the favourable development of the situation to the good-will of the Albanian and the Serb-Croat-Slovene Governments, and to the efforts of the Commission, and of the Council.

"No corporate body, no nation, no statesman in the world", said Lord Balfour, "could have carried out what has been effected, except the League of Nations. If the Serb-Croat-Slovene Government and the Albanian Government have respected the decisions of the Assembly and the Council and of the Commission which the League sent out, the reason is this : that the Albanians and the Yugoslavs knew that the League itself, the Assembly and the Council, are working for no selfish purpose, and that they have given advice with the sole object of benefiting those to whom it is given."

Meanwhile the Council had received from the Albanian Government a request that the Commission, whose work had proved so valuable to Albania, should continue for a further period. The Government also requested the League to extend its support to the economic sphere by appointing experts to proceed to Albania for the purpose of drawing up proposals regarding steps to be taken to encourage the employment of foreign capital in the development of the natural resources of the country. On the advice of the Commission, the Council asked one member of the Commission to return to Albania, and that duty was accepted by Professor Sederholm, of Finland. The Council communicated the request for economic assistance to the favourable consideration of the Financial Committee and forwarded to the same Committee the request of the Albanian Government

that a financial adviser should be nominated by the Council in accordance with a general resolution of the Council in 1921 placing itself at the disposal of Members of the League for the nomination of technical advisers should they so desire.

The Financial Committee sent Professor Calmes (Luxemburg) to Albania to make a report on the situation, and on receipt of his report it considered itself justified in recommending the appointment of a Financial Adviser whose selection was left in the hands of the Chairman of the Committee, M. Vallenberg (Sweden).

Subsequent Work of the Commission of Enquiry. — Professor Sederholm returned to Albania accompanied by Count Frederik Moltke (Denmark) and remained there for about a year studying the situation in collaboration with the Albanian Government. The Commission also visited neighbouring countries to discuss with them matters of common interest. At the Council meeting in April 1923, Professor Sederholm presented his report and final conclusions. They contained a detailed study of the school and church questions in Albania generally and in Southern Albania in particular, and recommended various measures for giving full effect to the declaration of the Albanian Government concerning the protection of minorities. Professor Sederholm also recommended certain steps towards rectifying such discontent with the existing situation as he found amongst various elements of the population. He pointed out that the Government were fully aware of the deficiencies that existed and firmly resolved to put an end to them. The report examined the economic situation and gave an outline of the developments which seemed necessary. Finally the report outlined the Albanian Government's programme as explained to Parliament by the Prime Minister. Professor Sederholm noted with satisfaction the intention of the Government to make whole-hearted use of the technical advisers which it had

asked the League to provide." "If," he said, "their expert and disinterested advice were followed, Albania should have no difficulty in developing into a peaceful and prosperous Member of the League of Nations".

The same Council meeting which considered these reports also approved, with the assent of the Albanian Government, the nomination of M. Hunger of Holland, late Resident of Batavia in the Dutch East Indies, as Financial Adviser to the Government. M. Hunger was to be consulted on all matters of economic or financial interest and to report to the League of Nations every three months. In his first report, M. Hunger noted numerous possibilities of development in the country : virgin forests, fertile waste-land, richness of the soil, etc. He also informed the Council of plans for setting up a bank of issue with the aid of foreign capital (1).

The Albanian Government has also been assisted by the League in the field of public health. Its public health officers have taken part in the study of methods for combating malaria arranged by the League Health Organisation, and the League Health Committee has been asked to assist it in drawing up plans for the eradication of malaria, which is endemic in Albania and of great importance from the point of view of economic development.

The League has thus been instrumental in giving Albania a recognised status, in hastening the settlement of her frontiers and in securing the evacuation of foreign troops, and has endeavoured to assist in the internal development of the country whose stability, in view of its geographical position, is essential for the maintenance of peace on the Adriatic and in the Balkans.

(1) M. Hunger's contract was terminated at the end of the first year, in virtue of the right to do so mutually reserved by the Financial Adviser and the Albanian Government.

INCURSIONS OF BANDS INTO THE FRONTIER DISTRICTS OF THE COUNTRIES BORDERING ON BULGARIA

In July 1922, the Council of the League considered a dispute between Bulgaria and her neighbours, Greece, Roumania and the Kingdom of the Serbs, Croats and Slovenes, at the request of the Bulgarian Government, made under Article II of the Covenant. The dispute was concerned with the incursions of armed bands into the frontier districts of the countries bordering on Bulgaria.

In its appeal to the Council, the Bulgarian Government gave an account of the steps which it had taken to put an end to the disturbance caused by the presence of these bands and expressed its regret that these measures had not proved very effective. On June 14th the Bulgarian Government had an official communication from the Roumanian representative in Sofia, speaking in the name of Bulgaria's three neighbours. According to this communication the States concerned declared that they had held Bulgaria responsible for the situation and considered that unless the matter were speedily settled serious consequences might ensue. As the situation thus created could not continue without risk of the tension becoming more acute, Bulgaria requested the Council to intervene either by sending an International Commission of Enquiry or by any other means which it might deem fit to adopt.

THE DISPUTE BEFORE THE COUNCIL

The Council, after hearing the representatives of the States concerned, took note of the fact that the representations made on June 14th to the Government of Bulgaria by the Governments of the States adjoining her territory

were not of a minatory or hostile character, and that the Bulgarian Government was engaged in negotiations with the neighbouring Governments concerning the steps to be taken for putting an end to the incursions.

In the circumstances, the Council was of opinion that any possibility of acts of violence in contravention of the Covenant of the League of Nations was for the time excluded, but requested the Governments to keep it informed of the results of the negotiations and received the formal assurance of the representatives of the Governments concerned that should these negotiations fail and result in a situation likely to endanger the peace of the Balkans, they would again refer the question to the Council.

No further reference has been made to the Council on this subject.

EASTERN CARELIA

This question, which the League of Nations was not able to solve, was the subject of repeated efforts to bring about a peaceful settlement in the spirit of the Covenant. As was stated in the communication of the Permanent Court of International Justice to the Council on July 23rd, 1923, the Council of the League had "shown its desire to explore every path that might lead to a settlement of the difference between the two nations."

The territory known as Eastern Carelia includes the Government of Olonetz and that part of the Government of Archangel which lies to the west of the White Sea. The area of Eastern Carelia is nearly 150,000 square kilometres, and it has a population of about 200,000 inhabitants. The Carelians form one of the principal branches of the Finnish race.

In November 1921 the Finnish Government drew the Council's attention to the situation created in Eastern Carelia by the non-application of the provisions of the Treaty of Peace signed at Dorpat on October 14th, 1920, between the Republic of Finland and the Russian Socialist Federal Soviet Republic.

The question came before the Council for the first time in January 1922 and again in February and April 1923; it was then referred for an advisory opinion to the Permanent Court of International Justice, which dealt with the matter during its session in June 1923. Finally, the Finnish Government brought the question before the Fourth Assembly of the League of Nations in September of the same year.

THE COUNCIL RECOMMENDS DIRECT NEGOTIATIONS

During its session in January 1922 the Council heard a statement by M. Enckell, Finnish Minister in Paris, setting forth the point of view of his Government. M. Enckell's contention was, in substance, that the Treaty of Dorpat between Finland and the Soviet Government guaranteed territorial autonomy to the population of Eastern Carelia within the Union of the Socialist Soviet Republics. It also accorded economic and moral autonomy to this territory. But in place of the promised autonomy, the Soviet Government had established a regime dependent on the dictatorship of a Workers' Commune, which was in fact manipulated by the central power, and which overwhelmed the Carelians with requisitions and forced levies, thus ruining and terrorising the country. The Carelians had revolted; a portion of them had fled to Finland. The Finnish Government regarded this situation as a menace to world peace and it therefore called upon the League of Nations to intervene.

M. Pusta, representing Estonia, and M. Groswald and M. Walters, representing Latvia, who were present at the meeting, stated that they were most anxious that peace should be maintained in the Baltic, for it was a paramount necessity for all the States bordering upon Russia. Without desiring to intervene in the Carelian question they approved the action which Finland had taken, because they regarded it as an effort in the interests of peace.

The Polish delegate, M. Askenazy, stated that his Government had already placed its good offices at the disposal of the two parties.

In these circumstances, the Council declared its willingness to examine the question, with a view to arriving at a satisfactory solution, provided that the two parties concerned agreed; and expressed the opinion that one of the States Members of the League which was interested in the question and in diplomatic relations with the Government of Moscow might ascertain that Government's views in regard to the matter.

The Council added that it would be a matter for satisfaction if one of these States were to lend its good offices as between the two parties, in order to assist in obtaining a solution.

THE COUNCIL REQUESTS THE PERMANENT COURT OF INTERNATIONAL JUSTICE TO GIVE AN ADVISORY OPINION

The steps taken in pursuance of the Council's Resolution by the Governments maintaining regular diplomatic relations with the Soviet Government produced no result, for the Soviet Government declared that the question of Eastern Carelia must be regarded as one of purely domestic concern.

The Finnish Government then expressed a desire that the Council of the League, in accordance with Article 14 of

the Covenant, should ask for the opinion of the Permanent Court of International Justice as to whether the treatment of the inhabitants of Eastern Carelia was, as the Soviet Government maintained, a purely internal question or whether it was an international question.

At its meeting on April 21st, the Council decided to request the Permanent Court of International Justice to give an advisory opinion upon the following point :

“Do Articles 10 and 11 of the Treaty of Peace between Finland and Russia signed at Dorpat on October 14th, 1920, and the annexed Declaration of the Russian Delegation, concerning the autonomy of Eastern Carelia constitute obligations of an international character which are binding upon Russia in her relations with Finland?”

THE COURT'S CONCLUSION

The Court informed the Russian Soviet Government that the Council had asked for an advisory opinion. The Soviet Government refused to appear before the Court; but the Finnish Government appeared and stated its case.

The majority of the Court (seven out of eleven judges) reluctantly concluded that the Court was incompetent to express an opinion. In its reply to the Council, dated July 23rd, it stated its view that no reply could be given to the question unless an enquiry were held on certain points of fact, and that it would be extremely difficult to conduct such an enquiry if Russia held aloof. Moreover, in view of the independence of sovereign States, it could not express an opinion on a dispute that had arisen between a Member of the League and a non-Member, without the consent of the latter.

RESOLUTION OF THE FOURTH ASSEMBLY

The Fourth Assembly of the League, taking note of a declaration by the Finnish Government that it maintained its right to consider the clauses of the Treaty of Dorpat and the supplementary declarations relating to the status of Eastern Carelia as agreements of an international order, requested the Council to continue to collect all useful information relating to this question with a view to seeking any satisfactory solution made possible by subsequent events.

THE FRANCO-BRITISH DISPUTE ON THE QUESTION OF NATIONALITY DECREES IN TUNIS

A dispute arose between Great Britain and France in November 1921 as to nationality decrees promulgated in Tunis and the French zone of Morocco and their application to certain categories of British subjects.

These decrees conferred French nationality upon any person born in Tunis or in the French zone of the Sherifian Empire, one of whose parents was justiciable as a foreigner by the French tribunals of the Protectorate and was born in the Protectorate.

These decrees conflicted with British nationality legislation, which claims as natural-born British subjects the children born abroad of British parents who were themselves born within his Britannic Majesty's allegiance, and also the grand-children of such parents born before January 1st, 1915.

The British Government therefore protested when the French Government, applying the decrees, treated as French

subjects and liable to military service in the French Army persons in Tunis of Maltese origin and claimed by the British Government to be British subjects.

This matter was the subject of a long diplomatic correspondence that ended in a deadlock. The British proposal to submit the question to arbitration was not accepted, the French Government claiming that it was not a fit subject for arbitration but a matter of domestic jurisdiction.

The British Government thereupon (in September 1922) brought the question before the Council of the League. The British and French representatives on the Council, M. Léon Bourgeois and Mr. (since Lord) Balfour, agreed to ask the Council to request an advisory opinion from the Permanent Court of International Justice as to whether the matter at issue was or was not exclusively a question of domestic jurisdiction according to international law.

The French Government claimed that in issuing the decrees on November 8th, 1921, it had merely exercised its legislative powers in regard to nationality questions, and consequently the dispute that had arisen out of this question came within the exceptions provided by paragraph 8 of Article 15 of the League Covenant (1), that is, was within the exclusive competence of the French Government and did not possess an international character.

The British Government, on the other hand, without denying that the determination of nationality was one of the attributes of sovereignty, declared that the rights possessed by France in Tunis and Morocco were based on treaties which did not confer upon her this attribute of sovereignty,

(1) This paragraph reads as follows :

"If the dispute between the parties is claimed by one of them and is found by the Council to arise out of a matter which by international law is solely within the domestic jurisdiction of that party, the Council shall so report and shall make no recommendation as to its settlement."

and that the exercise by France of the right to legislate on questions of nationality was also contingent on treaty provisions. Consequently, the British Government held that the question could not be considered as being within the exclusive competence of France, but that, on the contrary, it raised legal questions of international scope.

On February 7th, 1923, the Court announced that, without touching upon the substance of the dispute, it was of opinion that the dispute was not a matter of purely domestic jurisdiction. The representative of the French Government before the Court then proposed to the British representative that the whole question should be referred to the Court for settlement, but after an exchange of notes between the two Ministers of Foreign Affairs a friendly agreement ⁽¹⁾ was reached on the 24th May, 1923, of which the International Court took note in its ordinary session of June.

(1) This agreement was subsequently registered with the Secretariat of the League of Nations and published in the Treaty Series in the form of Notes exchanged between the British and French Governments. The French Government engaged to take all necessary measures whereby a British subject born in Tunis of a British subject who was himself born there would have the right to decline French nationality, such right, however, not to extend to succeeding generations. The child born in Tunis of a British subject born elsewhere than in Tunis was not claimed by the French Government as a French National, and French nationality would not be imposed on any British subject born in Tunis before November 8, 1921, without the option being given him to decline it. No attempt would be made to impose Tunisian nationality instead of French nationality on British subjects in Tunis. In agreeing to discontinue proceedings at the Hague, neither the French nor the British Government abandoned the respective points of view maintained in their diplomatic correspondence and in the preliminary proceedings at the Hague, nor, it was declared, would the principle adopted in the present agreement be applicable elsewhere than in Tunis. The application to British subjects of corresponding nationality decrees promulgated in Morocco (French zone) did not, it was stated, give rise at present to any proceedings at the Hague, the question not being at the moment of practical importance. On this question, however, both Governments reserved their rights.

EXPROPRIATION BY THE ROUMANIAN GOVERNMENT OF THE IMMOVABLE PROPERTY OF HUNGARIAN OPTANTS

In March 1922, the Hungarian Government submitted to the Council of the League of Nations a request "with regard to the expropriation by Roumania of immovable property of Hungarian optants", that is to say of persons previously domiciled in the territories transferred to the Kingdom of Roumania under the terms of the Treaty of Trianon, but who opted for Hungarian nationality.

The Opposing Theses.

The request submitted to the Council by the Hungarian Government was based on the second paragraph of Article II of the Covenant, under which any Member of the League has the friendly right of bringing to the attention of the Council any circumstances affecting international relations which threatens to disturb the good understanding between nations upon which peace depends.

The question was first examined by the Council at its April session and was brought up again at its July session, an attempt at direct negotiation between the parties having been made in the meantime at Brussels, under the presidency of M. Adatci, the Japanese Representative on the Council.

The Council held a public meeting (April 1923) at which the representatives of Hungary and Roumania explained the points of view of their respective Governments.

The Hungarian representative stated that the Roumanian Law on agrarian reform in Transylvania did not take count of the clause of Article 63 of the Treaty of Trianon, which lays down that persons who have opted for Hungarian natio-

nality shall be entitled to retain their immovable property on Roumanian territory. The Hungarian Government did not contest the general right of the Roumanian Government to proceed with agrarian reforms, but contended that certain features of the reform Law were incompatible with Roumania's international obligations.

The Roumanian representative, on the other hand stated that the scheme for agrarian reform in Roumania had been prepared before the war, and that in spite of the heavy sacrifices the reform might impose on the parties concerned, its sole object had always been to effect social reform on a basis of complete equality for all the elements of the Roumanian population. Those provisions of the agrarian reform law which were applicable, in particular, to Transylvania, were framed with due regard to the actual situation and were not directed against persons of Hungarian nationality owning land in Transylvania more than against any other inhabitants of that territory. The Roumanian agrarian law in no way contravened the provisions of the Treaties, particularly Article 63 of the Treaty of Trianon, which implied that the optant should retain possession within the limits of the property laws of the sovereign State.

After hearing these statements, the Japanese representative on the Council, M. Adatci, suggested that the two parties should refer the matter for decision to the Permanent Court of International Justice, or else that the Council should request the Court to give an advisory opinion. The Roumanian representative stated that the interests of his country did not allow him to accept these suggestions, which had been agreed to by Hungary.

The Council then decided to defer consideration of the matter until its next session and requested M. Adatci to enter into negotiations with Hungary and Roumania in an attempt to secure a direct agreement between the two parties.

The Brussels Negotiations (May 1923).

These negotiations were held in Brussels and lasted three days. To the declarations made in his presence by the two parties, M. Adatci added a general recommendation urging conciliation. M. Adatci was, in fact, of opinion that the Council should not seek "an abstract legal solution, but any practical solution which would give as full a measure of satisfaction as can be obtained with a view to a peaceful settlement".

The text of M. Adatci's recommendation, together with a verbatim report of the statements made by the representatives of the two parties, received the formal approval of those representatives.

However, before the end of the conversations of Brussels the Hungarian Government signified its opinion that the negotiations had failed, and that, although the text prepared had been signed by its representative, it could not adhere to M. Adatci's recommendation.

Final Resolution of the Council (July 1923).

At its July session the Council, after approving the text prepared by M. Adatci, unanimously expressed the hope that the Governments "would do their utmost to prevent the question of Hungarian optants from becoming a disturbing influence in the relations between the two neighbouring countries". It requested the Hungarian Government "after the efforts made by both parties to avoid any misunderstanding on the question of optants" to "do its best to reassure its nationals". It requested the Roumanian Government, "faithful to the Treaty and to the principle of justice upon which it declares that its agrarian legislation is founded", to give proof of its good-will in regard to the interests of Hungarian optants.

The Roumanian Delegate, M. Titulesco, accepted the Council's resolution. The Hungarian Delegate, Count Apponyi, who abstained, said his Government was not insensible to the appeal for conciliation addressed to it by the Council, but that he could not reply without making reservations. "It was indispensable", he said, "that the Hungarian people should be persuaded that their Government had not abandoned the rights of its nationals". Count Apponyi declared that his Government reserved the right to take any future steps which the treaties and the Covenant of the League might allow in order to obtain satisfaction.

FRONTIER QUESTIONS

The Council of the League of Nations has been called upon, either in virtue of certain Treaty provisions, more particularly in the Treaty of Trianon, or as a mediating body, to deal with a number of frontier questions, chiefly between Hungary and her neighbours, Austria, Czechoslovakia and the Kingdom of the Serbs, Croats and Slovenes.

Thus its good offices were requested in the question of the frontiers between Hungary and her neighbours : Austria, the Serb-Croat-Slovene Kingdom and Czechoslovakia.

In September 1923, the Conference of Ambassadors referred to the Council the question of the frontier between Poland and Czechoslovakia, in the Jaworzina district.

I

THE FRONTIERS OF HUNGARY

Under the Treaty of Trianon (June 4th, 1920), Delimitation Commissions were set up to trace the new frontiers of

Hungary. The covering letter to the Treaty of Trianon states that "should the Delimitation Commission, when they have begun their work, consider that the provisions of the Treaty involve an injustice at any point which it would be to the general interest to remove, they may submit a report on this matter to the Council of the League of Nations. In that case, the Allied and Associated Powers agree that the Council of the League of Nations, if requested to do so by one of the parties concerned, may under the same conditions offer its services to obtain by peaceful means the rectification of the original tracing in places where an alteration of the frontier is considered desirable by one of the Delimitation Commissions".

It was in virtue of this covering letter that the question of the frontiers between Hungary and the Serb-Croat-Slovene Kingdom and between Hungary and Czechoslovakia was brought before the Council of the League of Nations. The case of the Austro-Hungarian frontier, which was also dealt with by the Council, is somewhat different; here the Council's intervention was based not on the Treaty of Trianon but on the Protocol of Venice concluded between the Austrian and Hungarian Governments, thanks to the good offices of Italy.

THE AUSTRO-HUNGARIAN FRONTIER

It was provided by Article 27 of the Treaty of Trianon that the Burgenland, a district to the south of the Danube formerly part of the territory of the Kingdom of Hungary, should be transferred to Austria, as the majority of its population was German.

When the time came to transfer this territory to the Austrian Government, the Hungarian Government and the Hungarian local authorities protested on the grounds that

the Bùrgenland had been Hungarian territory throughout its history and that its population wished to remain attached to Hungary. The eastern districts and particularly the town of Oedenburg (Sopron), were the theatre of the movement in favour of Hungarian rule.

The Bùrgenland question was brought before a Conference held at Venice under the auspices of the Italian Government, through whose efforts the two parties agreed upon a Protocol. Austria declared that as far as possible she would agree to the decisions of the Delimitation Commission, but should she find herself obliged to appeal against them, she would accept decisions recommended by the Council of the League of Nations.

The Venice agreement provided for a plebiscite, which was held in the town and district of Oedenburg on September 13th, 1921. The majority declared in favour of Hungary, and the Conference of Ambassadors therefore decided that the town and district should be restored to that country. The Delimitation Commission then made a detailed study of the frontier line and proposed that three other districts should also remain Hungarian :

1. The territory surrounding the village of Pamhagen, which is the centre of a considerable system of canals and irrigation channels affecting a certain number of places in the neighbourhood;

2. A group of villages east and south of Liebing, regarded as inseparable from the town of Güns, which remains Hungarian;

3. A narrow strip of territory 20 to 25 kilometres long to the east of the Hungarian town of Szombathely (Steinamanger), inhabited by a mixed Hungarian, German and Croat population, but having as its economic centre the town of Szombathely.

The Austrian Government, in objecting to the modifications proposed in favour of Hungary, declared that it would keep its undertaking to accept any recommendations made by the Council of the League, provided that such recommendations were adopted unanimously, as laid down in Article 5 of the Covenant. Hungary had already addressed an application to that effect to the Secretary-General of the League.

The question came before the Council of the League in July 1922. In public session on July 19th the Council heard the statements of the Austrian and Hungarian representatives, although Hungary was not at that time a Member of the League.

The Austrian Representative asked the Council to uphold the frontier line laid down in the Peace Treaty, which had given the Burgenland to Austria as compensation for her economic losses in other directions; the loss of Oedeaburg town and district had already greatly reduced the value of this compensation.

The Hungarian Representative stated that the Commission's proposals had been accepted by all its members with the exception of the Austrian delegate, and pointed out that the Commission's proposals affected only a small portion of the Burgenland.

On the Council's suggestion, the representatives of Austria and Hungary thereupon held a Conference at Geneva in August, with M. Hymans, the representative of Belgium on the Council, as Chairman.

At its meeting on September 19th the Council announced its decision based on the results of this conference and modifying the proposals of the Frontier Delimitation Commission on certain points. Pamhagen, Hammer, Leka, the communes situated on the valley road south of Pornóapati, the commune of Csem and the villages of Felso-Also-Beled and Szentpéterfa were left in the hands of Austria. In regard

to Pamhagen the Council decided that the Frontier Delimitation Commission should be instructed to draw up a Protocol which would, *ipso facto* be binding on both States, in order to avoid prejudicing the hydro-technical interests of the districts. The duty of supervising the execution of the Protocol would fall upon the Permanent Technical Hydraulic System Commission.

The Council's decision, on the other hand, restored to Hungary the village of Liebing, the communal woods belonging to the town of Kösseg, the village of Rattersdorf, and the portion of the Pinka Valley situated to the north of Pernoapati, together with Pernoapati itself.

The Council recommended the Austrian and Hungarian Governments, with the assistance of the Frontier Delimitation Commission, to take permanent or temporary measures to avoid the difficulties which the new frontier line might possibly cause in the economic relations or the means of communication between districts bordering on the frontier.

The Council's decision was accepted by both parties and duly carried out.

*The Frontier between Hungary
and the Serb-Croat-Slovene Kingdom.*

The Commission for the Delimitation of the Frontiers between Hungary and the Serb-Croat-Slovene Kingdom proposed to cede to Hungary, for geographic and economic reasons, a strip of territory in the Mur district with about 18,000 inhabitants, the majority of whom were considered to be Hungarian. In virtue of the covering letter to the Treaty of Trianon, Hungary requested the Council to use its good offices to obtain a final settlement as to the tracing of the frontier, on the basis of the proposals made by the Commission for the Delimitation of the Frontiers between these two countries.

This question came before the Council on July 19th. The Hungarian Representative laid stress on the fact that the Delimitation Commission's decision had been unanimous (the four allied Representatives and the Hungarian Delegate) except for the Representative of the Serb-Croat-Slovene State.

The Representative of the Serb-Croat-Slovene State pointed out in his statement that the Delimitation Commission had reached this decision at the beginning of its work, although according to its instructions it should have made no recommendation until it had completed its investigation of the entire frontier line between the two States. The frontier was 360 kilometres long, and the decision had been taken after only 60 kilometres of the line had been examined. The Commission had subsequently extended its work to the remaining three hundred kilometres. The Serb-Croat-Slovene Government had then made proposals to the Commission with a view to the modification of the line by mutual concessions, but the Hungarian Representative had refused to accept these proposals, considering them insufficient.

As neither side would accept compulsory arbitration of the issue, the Council tried to reach a settlement by friendly mediation. But in spite of the efforts of M. Hymans, at a conference with representatives of the two parties, it was impossible to secure a compromise between them.

In these circumstances, the Council decided to inform the Conference of Ambassadors that it had been unable to persuade the parties to contemplate a friendly settlement.

The Conference of Ambassadors subsequently informed the Council that in view of this situation the delimitation of the frontier would be carried out in conformity with the Treaty of Trianon, and consequently without any of the modifications suggested by the Delimitation Commission.

THE FRONTIER BETWEEN HUNGARY AND CZECHOSLOVAKIA

During January 1923 the Conference of Ambassadors forwarded to the Council of the League of Nations the reports drawn up by the Commission for the Delimitation of the frontiers between Hungary and Czechoslovakia. These reports concerned the small district known as Salgo-Tarjan, but really situated to the north of this important mining centre, which had remained Hungarian.

The reports made it clear that the Delimitation Commission was equally divided. One party advocated the maintenance of the frontier fixed by the Treaty of Trianon, while the other thought that an appeal should be made to the good offices of the League of Nations in order to obtain a friendly rectification in the Salgo-Tarjan district. The latter solution was adopted by the President's casting vote.

At its meeting held on January 31st the Council heard the representatives of the parties concerned. The Hungarian Representative said that if the frontier line passed through the points specified in the Treaty, an injustice would result both to Hungary and to the communes which would be cut off from Hungary by the frontier, and that it was to the general interest that any such injustice should be removed, as provided in the covering letter of May 6th, 1920. He insisted particularly on Hungary's need, in view of the fact that she had been deprived of a great part of her mineral resources, of the coal beds and basalt and trachyte quarries situated in the contested area.

The Czechoslovak representative, on the other hand, urged that the Treaty definitely provided for the assignment of the mines in the district to Hungary and of the station of Somosújfalú to Czechoslovakia, and that Czechoslovakia had faithfully observed the Treaty by expressing

its readiness to allow Hungary to retain, not only the mines, which were actually being worked but also the unworked mining area north of those mines. He considered that Hungary, on her side, should give way to the formal provisions of the Treaty and accept the allocation to Czechoslovakia of the station of Somosujfalu, which was mentioned by name in the Treaty.

The representatives of both countries expressed their willingness to accept the good offices of the Council in the form of compulsory arbitration.

In accordance with precedent, the Council asked one of its members, M. Da Gama, the Brazilian Representative, to keep in touch with the experts of both parties, and to submit a report at the next session.

The Hungarian and Czechoslovak experts, with two members of the Frontier Delimitation Commission, and M. Da Gama as President, met at Geneva and subsequently at Paris. The Council also consulted the appropriate Committee on questions of a military nature, which might arise out of the topography of the district and the existence of the railway line running through it from north to south.

Finally, at its meeting on April 23rd the Council announced its award, which gave due weight to the purely local interests of the inhabitants as well as to the national interests of the two parties.

The frontier line delimited by the Council left in Hungarian territory both the mining concessions and two villages inhabited by Magyars, and assigned to Czechoslovakia certain hills which were allocated to that country by the Peace Treaty, apparently in order to ensure the defence of its territory. The Czechoslovak Government was to have the right to use the railway station of Somosujfalu as a frontier and customs station, and the Hungarian Government was to give it all facilities for that purpose.

The Czechoslovak Government, on its side, undertook to take all measures to facilitate the working of the basalt quarry situated to the north of the village of Somoskő and the transit of the products of that quarry on their way to Somosujfalu station.

In accordance with their undertaking, both parties accepted the Council's decision.

Frontier between Poland and Czechoslovakia.

In a letter dated August 18th, 1923, the President of the Conference of Ambassadors requested the Council of the League of Nations to be good enough to recommend a solution with regard to the delimitation of the frontier line between Poland and Czechoslovakia in the Jaworzina district.

This frontier delimitation question, known as the "Jaworzina question", arose in the following circumstances : the Principal Allied and Associated Powers decided to constitute certain plebiscite zones, in the frontier district between Poland and Czechoslovakia. The preparations for the plebiscite, however, caused a state of excitement that was considered dangerous, and the Polish and Czechoslovak delegates therefore agreed to ask the Supreme Council to take a final decision as to the tracing of the frontier.

The Conference of Ambassadors laid down a line on July 28th, 1920, that was accepted by both parties as a whole, and of which the different sections were then traced successively by the Boundary Commission with the consent of the interested parties. As, however, a difference of view became apparent over the small district of Jaworzina, the Polish and Czechoslovak Governments asked the Powers to give them an opportunity to arrive at a friendly agreement on the subject. In spite, however, of several extensions of the period allowed for reaching agreement, no agreement was reached.

On December 2nd, 1921, the Conference of Ambassadors gave notice to the two Governments concerned that if they could not come to an agreement before January 15th, 1922, at the latest, the Boundary Commission would be instructed to proceed immediately to trace the line of July 28th, 1920. On September 26th, 1922, the Boundary Commission presented proposals which appreciably modified the line laid down in the decision of the Conference of Ambassadors of July 28th, 1920, since it attributed the village of Jaworzina to Poland and two communes further north to Czechoslovakia. The Czechoslovak Government contested the validity of any decision based on these proposals, urging that the Conference of Ambassadors must be held, in absence of any agreement between the interested parties, to be bound by its decision of July 28th, 1920, and its declaration of December 2nd, 1921. The jurists composing the Drafting Committee of the Conference of Ambassadors held the contrary view, being of opinion that the decision of July 28th, 1920, had left undetermined part of the frontier line in the Jaworzina district.

Consequently, the Conference of Ambassadors, in asking for the opinion of the Council of the League of Nations, expressly stated that it would consider opportune a decision by the Council to consult the Permanent Court of International Justice on the legal point involved.

The question of Jaworzina aroused public opinion in both Poland and Czechoslovakia and assumed a political importance disproportionate to the extent and material value of the contested territory.

The Council considered the matter at its session of August-September 1923. In agreement with the representatives of Poland and Czechoslovakia it decided to ask for the advisory opinion of the Court. The question submitted by the Council to the Court was as follows: "Is the question of the delimitation of the frontier between Poland and Czechoslovakia still open, and, if so, to what extent; or should

it be considered as already settled by a definitive decision (subject to the customary procedure of marking boundaries locally with any modifications of detail which that procedure may entail)?”

The Court, which met in extraordinary session to consider the matter, replied that after taking the views of both parties to the dispute it considered that the question of the delimitation of the frontier between Poland and Czechoslovakia had been settled by the decision of the Conference of Ambassadors of July 28th, 1920, and that this decision should be considered as final. It added that the decision should be applied completely and that, consequently, the fraction of the frontier in the Spiez region, topographically described in this decision should remain subject (apart from the minor changes that might be involved in the customary procedure of marking boundaries locally) to the changes provided for by Article 2, paragraph 3, of the decision of the Conference of Ambassadors. This Article stipulates that the Conference of Ambassadors reserves the right to introduce in the general line laid down any changes that might be proposed by the Boundary Commission and would appear justified by the interest of individuals or communities along the frontier taking account of special local circumstances.

The Council thus possessed the legal basis for the recommendation which the Conference of Ambassadors had asked it to make, and the representatives of the interested parties accepted the opinion of the Court.

It now remained to determine whether the changes proposed by the Boundary Commission on September 25th, 1922, were in conformity with the conditions laid down in Article 2 of the decision of the Conference of Ambassadors of July 28th, 1920. The Council declared that, in its opinion, the proposals of the Commission might be based on consideration of the interest of individuals or communes along the frontier but that according to the advisory opinion of

the Court, they went beyond the powers of the Commission. The Council therefore asked the Governments represented on the Conference of Ambassadors to request the Boundary Commission to submit new proposals in conformity with the opinion of the Court and the proceedings of the Council.

Finally, the Council, in its session of March 13th, 1924, traced the frontier on the basis of new proposals submitted by the Boundary Commission. The line laid down in the decision of the Conference of Ambassadors of July 28th, 1920, was slightly modified in two respects in the interest of certain Polish communes. The village of Jaworzina remained in the possession of Czechoslovakia. In order to safeguard economic interests and transit facilities for communes on both sides of the frontier, the Council recommended to the Governments concerned, as it had done on other occasions (notably in the case of the frontier between Austria and Hungary), to take into consideration the mutual interests of the frontier populations by drawing up special protocols which should constitute an integral part of the decision definitely fixing the frontier in the region of Jaworzina.

The Polish Government and the Czechoslovak Government accepted the decision of the Council.

Thus the League of Nations has been of considerable help in the final settlement of territorial questions left pending after the general carrying out of the Peace Treaties in Central Europe. Of all the frontier questions submitted to it there is only one that the League was not able to settle in a satisfactory manner, and that was the question of the frontier between Hungary and the Kingdom of the Serbs, Croats and Slovenes. In this case as distinguished from the others (the frontiers between Hungary and Austria, between Hungary and Czechoslovakia, between Poland and Czechoslovakia) the Council had no arbitral powers and was dependent on

the consent of both parties, which it proved impossible to obtain.

The typical features of the procedure followed by the Council in the settlement of these questions have been as follows : Hearing the case of both parties who, in virtue of Article 4, paragraph 5, of the Covenant, have the right, if they are not members of the Council, to be represented on the Council when it is considering questions that particularly interest them; the conferences of experts, to which sometimes are added representatives of the Boundary Commissions under the chairmanship of a representative of the Council; consultation of the competent League authorities, such as the Permanent Advisory Commission on Military, Naval and Air Questions for technical points, and the Permanent Court of International Justice for points of law.

It is true that these frontier questions were no doubt in themselves of secondary importance and that none of them affected very considerably national or even local interests. But each question had been the subject of warm discussion and some of them excited public opinion in the countries concerned to such a point as to create a state of tension and seriously affect the domestic and foreign policies of the interested Governments. By calming these feelings and putting an end to these controversies, the Council's intervention will certainly have contributed to the removal of some causes of conflict.

THE DISPUTE BETWEEN ITALY AND GREECE

ORIGIN OF THE DISPUTE

The task of fixing the frontiers of Albania with her neighbour States was entrusted by the Conference of Ambassadors to an Inter-Allied Delimitation Commission. A delegation of this Commission composed of Italian officers had been instructed more particularly to fix the line of the frontier between Albania and Greece. It was in order to carry out this duty that General Tellini, Major Corti and Lieut. Bonaccini, on August 27th, 1923, were traversing in a motor-car a section of the Greek frontier in the neighbourhood of the Albanian frontier when they fell into an ambushade and were assassinated, together with their chauffeur—also an Italian—and their interpreter, who was an Albanian subject.

Two days later, on August 29th, the Italian Minister at Athens forwarded to the Greek Government a note containing the following demands :

“(1) An unreserved official apology to be offered to the Italian Government at the Royal Legation at Athens through the supreme Military Authority of Greece.

“(2) A solemn memorial service for the victims of the assassination to be held in the Catholic Cathedral at Athens, and all the members of the Government to be present.

“(3) Honours to be paid to the Italian flag by the Greek fleet in the port of the Piræus, represented by a naval squadron which will visit the Piræus for this special purpose : these honours to consist of a salute of 21 guns fired by the Greek warships, which will hoist the Italian flag while firing the salutes.

"(4) A drastic enquiry to be carried out by the Greek authorities at the place of the assassination in the presence of the Royal Italian Military Attaché, Colonel Perrone, for whose safety the Greek Government will be responsible; the enquiry to be carried out within five days of the acceptance of these demands.

"(5) Capital punishment for all the authors of the crime.

"(6) An indemnity of 50 million Italian lire to be paid within five days of the presentation of this note.

"(7) Military honours to be paid to the bodies of the victims at the moment when they are placed on board an Italian vessel at Preveza."

The Italian Government requested the Greek Government to reply without delay.

The Greek Government replied on August 30th protesting against these demands, which attributed to it responsibility for the grave offence of which Italy complained. It declared that it was unable to accept the demands contained in paragraphs (4), (5), and (6) of the Italian note, as constituting an infringement of the sovereignty and honour of Greece.

Nevertheless, in view of the fact that a disgraceful crime had been committed on Greek territory against nationals of another Power entrusted with an international mission, the Greek Government offered the following satisfaction :

"(1) It will express its unreserved regret to the Italian Government, in full official form, for which purpose the Officer Commanding the Military District of Athens will call upon the Italian Minister."

"(2) It will hold a memorial service for the victims in the Catholic Church at Athens, and all the members of the Government will attend.

"(3) On the same day, honours will be paid to the Italian Government in the following form: A detachment from the garrison of Athens will parade before the Italian Legation and will salute the Italian flag with the usual honours.

"(4) All honours will be paid in the same solemn manner to the victims at Preveza when their bodies are placed on board the Italian vessel.

"The Greek Government further declares its willingness to grant fair and equitable compensation to the families of the victims, and will be glad to accept the assistance of Colonel Perrone, who may be able to contribute to the judicial enquiry, by furnishing information which will assist in tracking the authors of the crime.

"The Greek Government ventures to hope that the Italian Government will recognise the reasonableness of the attitude here expressed, the conciliatory spirit of the Greek Government and its great anxiety to give the Italian Government the fullest satisfaction."

These assurances were not deemed sufficient by the Italian Government, which gave orders, on August 31st, 1923, for the occupation of the Island of Corfu, declaring, however, that this measure was of a merely temporary character and that it only constituted a pledge for the fulfilment of the reparation which Greece was expected to make.

The Conference of Ambassadors on the same day, basing its action on the fact that the victims of the crime were agents who held their mandate from the Conference, addressed a note to the Greek Government asking for an immediate

investigation and reserving to itself the right to fix indemnities.

The Council of the League of Nations was acquainted with the dispute on the following day by a letter from the representative of Greece, in which, after having referred to the notes exchanged between the two Governments, and having insisted on the conciliatory character of the attitude of Greece, he asked that the question be submitted to the Council as a matter of urgency under Articles 12 and 15 of the Covenant of the League of Nations.

The Greek Government, as early as September 3rd, replied to the note of the Conference of Ambassadors, stating that it was ready to institute an enquiry, accepting in advance any decision of the Conference in respect of the reparations which were due.

THE DIPLOMATIC SOLUTION

The Council, at its meeting of September 1st, heard the statement of the representative of Greece in support of the demand for intervention by the Council presented by his Government.

The object of this appeal under Articles 12 and 15 of the Covenant* was to obtain a settlement of the dispute, and Greece declared herself ready to accept any suitable arrangement. The Greek Government, however, considered that it was necessary, first of all, to restore the situation which previously existed and to cease to resort to the procedure of coercion which had been originally initiated against her. On her side she was prepared to accept and execute in good faith any proposals made to her by the Council in order to give Italy full satisfaction.

The representative of Italy replied by two proposals. The first was to examine how far the Council of the League

of Nations might deal with a question which was at that time before the Conference of Ambassadors and which was of particular interest to the Conference as being the authority from which the Delimitation Commission on the Greco-Albanian frontier derived its powers. The second was to adjourn the continuation of the discussion to the next meeting of the Council in order that he might receive from his Government the instructions necessary to enable him to reply to the appeal made by the Greek Government.

The representatives of the British Empire and of Sweden declared themselves in favour of the competence of the Council to deal with a dispute of this kind. Although the dispute had been placed before the Conference of Ambassadors, the matter had been duly brought before the Council by one of its Members under Articles 12 and 15 of the Covenant.

The Council concluded this first part of the discussion, after having heard the replies of the representatives of Italy and Greece, by adopting the following resolution proposed by the British representative : "The Council, in assenting to a short adjournment of the further consideration of the question, expresses the confident hope that, in the meantime, the two States concerned will commit no act which might aggravate the situation."

Though the discussion remained adjourned, the Council, at its meeting of September 4th, received from the representative of Greece, on behalf of his Government, the following suggestions for the settlement of the dispute :

"(1) That the Council should appoint one or more neutral representatives :

- "(a) To superintend in Greece the judicial enquiry already begun by the Greek authorities and also the trial of those responsible for the murder of the Italian officers;

"(b) To assist in the work of the Commission the appointment of which has been proposed by the Greek Government to the Conference of Ambassadors, in order to carry out, both in Albania and in Greece, an enquiry to establish the circumstances which preceded and accompanied the crime.

"(2) That the Council should instruct a commission composed of three high judicial authorities—a Greek, an Italian and a neutral (for example, the President of the Swiss Federal Tribunal or the President of the Permanent Court of International Justice)—to meet as soon as possible at Geneva to settle the amount of the indemnities which it is just that Greece should pay to the families of the victims.

"(3) That the Council should agree that the Greek Government should forthwith deposit at a bank in Switzerland 50 million Italian lire as guarantee of the immediate payment of whatever indemnities may be decided upon."

The discussion was resumed on the following day, September 5th. The representative of Italy stated that he was now in a position to explain the point of view of his Government. It was to be observed that, as the crime of which the members of the Delimitation Commission had been victims was an offence to the dignity and honour of the Italian nation, the Italian Government, in order to ensure reparation of the moral and material injury which it had incurred, had been obliged to take securities to serve as a guarantee. As regards the aspect of the question from an international point of view, on the other hand, there was no doubt that the crime was an offence against the Conference of Ambassadors in the person of its executive agents. The Conference of Ambassadors had full competence in all that related to the execution of the Treaties and had therefore the right of securing reparation for an act which constituted a violation

of its orders and an opposition to the execution of its mandate. The fact could not be isolated from the cause, and the Italian ultimatum and the occupation of Corfu must not be considered apart from the crime which had been committed. The question of the reparation due as a result of the crime had been submitted, with the consent of Greece, to the judgment of the Conference of Ambassadors. Until the Conference of Ambassadors, whose decision even Greece had accepted in advance, had announced its decision on the fundamental question, any discussion or any step taken by the League of Nations would be out of place owing to its clear incompetence.

The Representative of Italy further stated that strong objections might be raised even to the grounds on which the appeal of the Greek Government to the League of Nations was based. Articles 12 and 15 of the Covenant assumed that there was danger of war. There was, however, no danger of war. Italy had solemnly declared that the measures which she had taken had no hostile character and that there was not even a suspension of diplomatic relations. "The creation of the League of Nations did not constitute a renunciation by States of all right to act for the defence and safety of their rights and of their dignity... The authority of the organs of public international law—the authority even of the League of Nations, which the Italian Government had no intention to ignore—must be maintained and respected; but the first condition was that the organ itself should recognise and observe the limits of its authority."

The representative of Italy, after having repeated his statement to the effect that the peace of the world was not threatened by the act of guarantee accomplished by Italy, concluded as follows: "It was for these reasons, briefly stated and, if necessary, to be developed from the point of view of fact and of right, that the Italian Government irrevocably expressed the opinion that the Council of the League of

Nations should not proceed to take action on the request of Greece."

The Greek representative, in his reply, emphasised the arguments of fact and of law which appeared to him calculated to justify the appeal which had been addressed by his Government to the Council of the League. Greece had not sought to escape her responsibility by applying to the League. She had not endeavoured to evade the procedure which had been introduced by the Conference of Ambassadors, which considered itself a body injured by the crime. Greece owed the Conference of Ambassadors explanations and assurances which she had furnished. She had proposed to the Conference that an enquiry should be conducted by the official agents of the Conference and had undertaken to accept the conclusions of this enquiry. "But as the Conference of Ambassadors was not the only party to the case, and since Italy, in view of the attitude she had adopted, had separated herself from the Conference of Ambassadors, a separate conflict had arisen, which Greece had already submitted to the consideration of the League of Nations." For this reason, Greece had proposed to the Council that other representatives appointed by itself should be associated with those to be appointed by the Conference of Ambassadors.

The representative of Greece dealt next with the Italian point of view in regard to the character of the occupation of Corfu. In his opinion, the seizure of pledges of this character could not be justified in view of the guarantees offered by international organisations such as the Conference of Ambassadors and the League of Nations. "The Italian note had stated that the League of Nations was not competent to examine this question and that no Government would accept a solution by the League. The articles of the Covenant, however, which were read when the Council first discussed this matter, were so clear as to render any arguments superfluous... It was not necessary, as the Italian note stated,

that the two parties should agree to demand the intervention of the League of Nations. In the present case, Greece had exercised a right and had even fulfilled an obligation, for Articles 12 and 15 not only established the right to submit a dispute to the League of Nations but created an obligation for the Members of the League to appeal to it and not to commit acts of violence calculated to disturb international peace.

The representative of Greece concluded that it was "for the Council itself to consider whether its action was ruled out by the fact that one of the interested parties stated that it did not recognise its competence."

The discussion was resumed the following day, September 6th, beginning with the reading of a telegram received from the Conference of Ambassadors, which was in the following terms :

"At its meeting this morning the Conference of Ambassadors adopted the following resolution, which it decided to communicate immediately to the Council of the League of Nations :

"The Conference of Ambassadors has considered the reply from Greece to its note regarding the murder of the Chairman of the Inter-Allied Greco-Albanian Delimitation Commission and of the other members of the Italian Military Mission in the Janina district. It has noted, in particular, that Greece declares her willingness, if her responsibility is proved, to agree to make any reparation which the Conference may regard as just and that the Greek Government suggests the appointment of a commission of enquiry, consisting of the delegates of the three Powers represented on the Delimitation Commission, to assist actively in the work of discovering the guilty parties. The Conference of Ambassadors, recognising that it is a principle of international law that States are responsible for political crimes and outrage

committed within their territory, at once considered how the enquiry should be conducted. The next meeting of the Conference will be held not later than Friday morning next."

The representative of Spain, on behalf of several of his colleagues, submitted a text to serve as a basis of discussion with a view to the drafting of a reply to be addressed by the Council to the communication received from the Conference of Ambassadors :

"A. The Council takes note of the communication made to it yesterday by the Conference of Ambassadors and, recognising the principle of international law according to which States are responsible for the political crimes and outrages committed within their territory, declares its intention of investigating, in conjunction with the Conference, the manner in which the enquiry should be carried out.

"It would be glad to receive information as to the deliberations of the Conference of Ambassadors on Friday next.

"B. The Council further desires to submit to the Conference for consideration the following suggestions as to the possible means of giving satisfaction to the demands of the Conference for reparations from Greece in consequence of the attack made at Janina, on Greek territory, against the Chairman and Italian members of its Commission :

"(1) The presentation of apologies by the highest Greek authorities to the Ministers of the three Powers represented on the Delimitation Commission.

"(2) The celebration of a funeral service at Athens in honour of the victims, in the presence of all the members of the Greek Government.

"(3) The giving of a salute by the Greek fleet in accordance with conditions to be determined later.

"(4) The rendering of military honours when the bodies of the victims are embarked at Preveza.

"(5) The appointment by the Greek Government of a commission of enquiry to investigate on the spot the circumstances preceding and accompanying the crime; the supplementing of this commission by representatives of the three Powers concerned as mentioned in the telegram in question.

"(6) The appointment of representatives of the League of Nations to supervise in Greece the judicial enquiry already ordered by the Greek authorities and the trial of the guilty parties.

"(7) The immediate deposit by Greece in a Swiss bank of a sum of 50 million lire as security for the immediate payment of any indemnity which may be fixed.

"(8) The submission to the Permanent Court of International Justice for decision, under the rules of summary procedure, of the question of the indemnity to be paid by Greece."

During the discussions which followed, the representative of Italy declared that he was not opposed to the despatch to the Conference of Ambassadors of the first part of the draft reply, but that he could not accept a text in which the Council appeared to affirm its competence to intervene even indirectly with a view to the settlement of the dispute.

The Council accordingly decided to send to the Conference of Ambassadors the first part (A) of the text proposed by the Spanish representative and to forward to the Conference on the same evening the Minutes of the meeting.

Several members of the Council, at this same meeting, made declarations concerning the interpretation given by the representative of Italy on the preceding day of certain articles

of the Covenant to which the Greek Government had referred in support of its appeal. The representatives of the British Empire, Belgium, Sweden and Uruguay stated that, in their opinion, the competence of the Council in the matter appeared to be indisputable.

When the Council resumed its discussion four days later (September 10th), its members had received communication of a telegram addressed to it on September 7th, 1923, by the Conference of Ambassadors :

"I have the honour to request you to be good enough to place before the Council of the League of Nations the following communication from the Conference of Ambassadors :

"The Conference of Ambassadors

"Has received the communication from the Council of the League of Nations dated September 6th, 1923;

"It notes that the Council has expressed a desire to receive early information upon the discussions of the Conference;

"It acknowledges the high sense of justice and the anxiety to maintain good relations between the nations which have dictated this communication;"

"It is actuated by the same sentiments of justice and the same desire for peace as the Council of the League of Nations;

"It has considered the verbatim record of the meeting held by the Council of the League of Nations on September 6th, and examined with greatest care the opinions advanced by various members of the Council at that meeting;

"It thanks the Council for having supplied it with valuable material which has assisted it in forming a judgment, and has the honour to communicate to the Council the following note, which it is sending to-day to the Greek Government.

"The Conference of Ambassadors"

"Has considered the notes which the Greek Government has sent it in reply to the note from the Conference regarding the murder of the Chairman of the Albano-Greek Delimitation Commission and of the other members of the Italian delegation on that Commission."

"It notes more especially that Greece declares her willingness, if her responsibility is proved, to agree to make any reparation which the Conference may regard as just, and that the Greek Government suggests the appointment of a commission of enquiry to hasten the detection of the guilty parties;

"It observes that the crime of August 27th was committed on Greek territory and was clearly a political crime; that the victims of the crime were entrusted with an official mission by the Conference of Ambassadors in agreement with the Greek Government, whose duty it was to ensure their safety; also that they all were members of the Italian delegation to the Commission;

"It considers a crime of this nature, committed in the circumstances referred to, directly affects the responsibility of the State on whose territory it took place.

"The Conference therefore decides to require from the Greek Government the reparations and penalties specified below :

"(1) Apologies shall be presented by the highest Greek military authority to the diplomatic representatives at Athens of the three Allied Powers whose delegates are members of the Delimitation Commission;

"(2) A funeral service in honour of the victims shall be celebrated in the Catholic Cathedral at Athens in the presence of all members of the Greek Government;

"(3) Vessels belonging to the fleets of the three Allied Powers, the Italian naval division leading, will arrive in the roadstead of Phalerum after 8 o'clock in the morning on the day of the funeral service;

"After the vessels of the three Powers have anchored in the roadstead of Phalerum, the Greek fleet will salute the Italian, British and French flags with a salute of 21 guns for each flag;

"The salute will be returned gun by gun by the Allied vessels immediately after the funeral service, during which the flags of the Greek fleet and of the vessels of the three Allied Powers will be flown at half-mast;

"(4) Military honours will be rendered by a Greek unit carrying its colours, when the bodies of the victims are embarked at Preveza;

"(5) The Greek Government will give an undertaking to ensure the discovery and exemplary punishment of the guilty parties at the earliest possible moment;

"(6) A special commission, consisting of delegates of France, Great Britain, Italy and Japan, and presided over by the Japanese delegate, will supervise the preliminary investigation and enquiry undertaken by the Greek Government; this work must be carried out not later than September 27th, 1923.

"The Commission appointed by the Conference of Ambassadors will have full powers to take part in the execution of these measures and to require the Greek authorities to take all requisite steps for the preliminary investigation, examination of the accused and enquiry. It will submit its report and conclusions to the Conference of Ambassadors;

"The Greek Government will guarantee the safety of the Commission in Greek territory. It will afford it all facilities in carrying out its work and will defray all the expenditure thereby incurred.

"The Conference of Ambassadors is forthwith inviting the Albanian Government to take all necessary measures to ensure that the Commission, duly accredited for this purpose, will be able, should it consider such action necessary, to proceed to Albanian territory and, in agree-

ment with the Albanian authorities, there conduct any investigations as are likely to assist in the discovery and punishment of the guilty persons.

"(7) The Greek Government will undertake to pay to the Italian Government, in respect of the murder of its delegates, an indemnity, of which the total amount will be determined by the Permanent Court of International Justice at The Hague, acting by summary procedure. The Court will give judgment on consideration of the report of the Commission specified in paragraph 6. This report will be transmitted by the Conference of Ambassadors, with its comments, to the Court of Justice.

"The Greek Government will deposit forthwith, as security, at the Swiss National Bank, a sum of 50,000,000 Italian lire, such deposit to be accompanied by the following instruction : 'to be paid over, in whole or in part to the Italian Government, upon the decision of the Permanent Court of International Justice at The Hague.'

"The Conference having taken note of the fact that the Italian Government confirms that the occupation of Corfu and the adjacent islands has no other purpose than that of obtaining fulfilment of the demands which the Italian Government has submitted to the Greek Government, and that these demands are covered by the above conditions laid down by the Conference, invites the Greek Government forthwith, to inform, severally and simultaneously, all the diplomatic representatives of the three aforesaid Powers at Athens that it accepts these conditions in their entirety."

The President of the Council had acknowledged this communication in the following terms :

"The Council of the League of Nations has the honour to acknowledge the receipt of the courteous communication from the Conference of Ambassadors dated September 7th. The Council shares the anxiety of the Conference to see the Greco-Italian dispute settled as soon as possible. The Council is happy to

note that the documents forwarded by it have been of use to the Conference. The Council of the League of Nations thanks the Conference for having kept it informed of its discussions on this matter and hopes that it will be kept *au courant* with the results of the decision which has been taken and also with any discussions which may still take place on the subject."

The representative of Greece announced that his Government had accepted in their entirety the demands formulated in the note of the Conference of Ambassadors, insisting, however, on the evacuation of Corfu. Moreover, steps had already been taken by the Greek Government to deposit 50 million lire in a Swiss bank to be transferred in whole or in part to the Italian Government upon a decision of the Permanent Court of International Justice.

Following upon this declaration by the representative of Greece, the representative of Italy expressed his hopes for a prompt and satisfactory solution of the dispute.

On September 17th, the President of the Council informed his colleagues of a communication received from the Conference of Ambassadors announcing the settlement of the dispute between Italy and Greece. He submitted a draft reply from the Council to the Conference, which was adopted and forwarded on the same day :

"The Council of the League of Nations has taken note of the communication from the Conference of Ambassadors announcing the settlement of the dispute which arose between Italy and Greece owing to the assassination, near Janina, of General Tellini and the other members of the Italian delegation of the Greco-Albanian Frontier Commission.

"As this dispute, which was submitted to the Council by the Greek Government, gave rise to diplomatic negotiations conducted by the Conference of Ambas-

sadors, the Council considered that it was its duty to establish relations with the Conference in order to assist in the work of pacification.

"The Conference of Ambassadors has taken the following resolution :

Paris, September 13th, 1923.
10.50 p.m.

"The Conference of Ambassadors, in consideration of the desire expressed by the Council of the League of Nations to be informed of the results of the Conference's deliberations, has the honour to communicate to the Council the note which it has to-day addressed to the Greek Government. The Conference is convinced that the steps thus taken are calculated to lead to a satisfactory settlement of the situation created by the murder of General Tellini and the other members of the Italian delegation on the Albanian Frontier Delimitation Commission."

"The Conference having taken note of the acceptance by the Greek Government of the conditions set forth in the note addressed to it on September 8th, and having also noted the request submitted by the Greek Government with reference to the evacuation of the Island of Corfu, and having further taken note of the letter from the Greek Minister in Paris dated September 11th, which is principally concerned with the payment of 50 million Italian lire into the Swiss National Bank under the conditions laid down, has the honour to inform the Greek Government that the Allied Governments are no less anxious than the Greek Government to bring to an early conclusion the abnormal situation created by the crime committed on August 27th, and that the evacuation of Corfu will take place as soon as the conditions laid down in the note of September 8th have been fulfilled in the following manner :

"(1) The Allied Diplomatic Representatives at Athens will fix, in consultation with the Greek Government, the date on which they are to receive the expressions of

regret for which provision is made in the Conference's note and which will be offered not later than September 18th. (2) The funeral service in honour of the victims will be held at Athens on September 19th at 10.30 a.m. (3) The warships of the three Allied Powers will arrive in the harbour of Phalerum on the same day, and the details regarding the fulfilment of the third condition will be communicated to the Greek Minister in Paris. (4) Honours will be paid to the bodies of the victims on September 19th, on which day they will be placed on board ship at Preveza. (5) The Inter-Allied Commission of Control will enter upon its work at Janina on September 17th; not later than five days after its arrival, it will submit a telegraphic report on its initial conclusions.

"Should the authors of the crime not yet have been traced, the Commission will state under what conditions its investigations have been carried out, and the Conference, having seen the report, will decide whether the fifth condition contained in its note of September 8th can be regarded as having been fulfilled. Should this condition not have been fulfilled, in view of the Italian Government's statement that it would, in any event, evacuate Corfu on September 27th, the date fixed by the Conference of Ambassadors for the conclusion of the Greek enquiry, the Conference reserves the right to notify Greece of any other measures of a coercive or punitive nature which may be taken against her by the Allied Powers. Such measures may consist, in particular, in the payment to Italy of a sum of fifty million lire, and in that case the Conference will request the Permanent Court of International Justice at The Hague to restore to Greece the security deposited by her, and no further application will be made to The Hague, as stated in paragraph 7 of the note of September 8th, unless any special application is made to the Court by Italy for charges entailed by the occupation."

"The Council takes note of this resolution and welcomes the fact that it puts an end to a situation which has aroused intense anxiety."

The representatives of Sweden and the British Empire expressed their satisfaction at the happy solution of the dispute and, after having explained the reasons which had made it seem preferable to await the end of the dispute before undertaking the examination of the legal questions, expressed the view that this examination would dissipate all confusion regarding the questions on the interpretation of the Covenant raised during the discussions.

On the following day, the representative of Italy, after having explained the Italian point of view and replied to the observations which had been made on various legal points, declared that he would raise no objection to the proposal that the questions of principle and those on the interpretation of the Covenant should be studied apart altogether from the solution of the special case which the Council had just examined (1).

MEMEL

This question was brought before the Council of the League of Nations by the Conference of Ambassadors, which, on September 25th, 1923, "called the attention of the Council to the situation created by the attitude of the Lithuanian Government."

The territory of Memel, which is situated at the mouth of the Niemen between East Prussia and Lithuania, had, up to January 10th, 1920, belonged to Germany. By the Treaty of Versailles it was handed over to the Principal Allied and Associated Powers, leaving them free to dispose of it as they might think fit.

(1) See Annex.

In the reply made in May, 1919, by the Principal Allied and Associated Powers to the observations of the German Delegation at the Peace Conference with regard to the provisions of the Peace Treaty, it had been stated that this territory was to be detached from Germany because the majority of the population was Lithuanian and because the Port of Memel was the natural outlet of Lithuania (1).

From the Peace Conference until the beginning of the year 1923, the Memel Territory was administered by a Representative of the Allies.

On January 8th, 1923, Memel was seized by a certain group of Lithuanians. The troops of occupation received orders to withdraw in order to avoid bloodshed, and a *de facto* government took possession of the territory. The Conference of Ambassadors immediately sent a Commission of Enquiry to the spot. On February 16th, 1923, the Conference of Ambassadors decided under certain conditions to transfer to Lithuania the rights which the Allied and Associated Powers held under the Treaty of Versailles. These conditions were as follows :

"The establishment in the Memel Territory of an autonomous government and popular representation, together with institutions officially recognising the two languages in common use and respecting the principle of the equality of all the inhabitants of whatever race, language or religion, and of equality of treatment as between nationals and foreigners in the exercise of civil rights and in commerce.

"Organisation of freedom of sea, river and land transit, due regard being paid to the interests of the Lithuanian and Polish districts for which Memel is the natural outlet, the Port of Memel to be placed

(1) The Lithuanian State had not yet been recognised by the Powers.

under an economic administration which will contribute to its development and which will provide every guarantee, in particular by the establishment of a free zone and by the appointment of duly qualified representatives, that the Lithuanian and Polish districts concerned will be given at that port the necessary commercial facilities.

"The Memel Territory to refund, under the guarantee of Lithuania, the expenditure incurred on account of its administration and occupation not yet recovered.

"All goods and properties situated in the Territory and formerly belonging to the German Empire or to the other German States to be transferred to Lithuania or to the Territory, provided that Lithuania takes over for herself and for the Territory the charges laid down in Articles 254 and 256 of the Treaty of Versailles.

"As soon as Lithuania accepts sovereignty over the Memel Territory upon the foregoing conditions, the Conference of Ambassadors, with the assistance of representatives of Lithuania and of the Territory concerned, will draw up at Paris an Organic Statute for the Memel Territory and conclude a Convention with Lithuania in conformity with the present decision."

Lithuania having accepted these principles, the Conference drew up a Convention with a view to applying them. Lithuania, however, did not see its way to accept certain clauses of this Convention and made counter proposals.

The negotiations were not successful, and the Powers represented on the Conference of Ambassadors therefore decided to refer the matter to the League of Nations, basing their action on Article II of the Covenant.

The Memel Commission.

The difficulties to be overcome were of two kinds : technical, since questions concerning transit had to be settled and the régime of a port of international concern had to be organised; political and moral, because Poland, which administered part of the territory of which Memel was the natural outlet, had an interest in this question which had been recognised by the Conference of Ambassadors; and because the relations between Poland and Lithuania were not satisfactory. To obtain advice which should be both competent and impartial, the Council decided to refer the question to a Commission of three members, two of whom should be appointed by the Chairman of the League of Nations Committee for Communications and Transit. The third, who was to be Chairman of the Commission, was to be appointed by the Council. All three were to belong to nations other than those in which the sovereignty of Memel was at that moment vested.

Mr. Norman Davis was appointed by the Council as Chairman of the Commission. He was a member of the American Delegation to the Peace Conference in 1919, was Assistant Secretary of the Treasury in President Wilson's Cabinet, and in 1920-21 Under Secretary of State at Washington. The other members of the Commission were Mr. Kröller, a member of the Economic Council of the Netherlands Ministry for foreign Affairs, and Mr. Hoernell, Consulting Engineer and member of the Stockholm Academy of Technical Sciences. The Commission was instructed to endeavour, by a close study of the draft Conventions submitted by both sides and of all the relevant facts, to find some means of overcoming the difficulties which had arisen.

It was understood that all proposals made by the Commission should be in conformity with the principles laid down

by the Conference of Ambassadors on February 16th, 1923, and accepted by the Lithuanian Government. At the opening meeting of the Commission at Geneva its Chairman, Mr. Norman Davis, made the following statement with regard to the most important aspects of the problem :

"The serious conflicts between the view-points of the Conference of Ambassadors and the Lithuanian Government have arisen primarily over the method of giving practical application to the decision of February 16th, 1923. The two parties in interest have not been able to reach agreement, on the organisation of the Port of Memel and the regulation of traffic by sea and land. The Council of the League has recognised this by arranging that two members of this Commission should be chosen for their special knowledge of such technical problems.

"The Niemen River and the Port of Memel, which is its outlet, are of international importance. No one of the nations which occupies some section of such a waterway has any right or any advantage to block the legitimate economic development of the other nations along its course. And in these modern days no river or port is sufficient unto itself. To render its full service to mankind it must be part of a co-ordinated system of land transportation, of postal and telegraphic communications.

"It is my hope that we will be able to work out a project for the organisation of the freedom of transit on this important waterway, in accordance with the decision of the 16th of February, which will be just, and enhance rather than injure the valid interests of all concerned, and so obviously tending to the rapid development of the wealth of the harbour, the river and the hinterland that it will be readily accepted and acquiesced in by all the parties in interest.

"In the past, for political reasons—largely because it was a frontier river—the Niemen has been neglected. Only by imagination, by faith in the future, can the people who live along the shores of this river realise its potentialities. We must strive to remove, as far as may be, artificial impediments, which thwart the wealth-giving development of this waterway."

The Commission then proceeded to Memel, where it heard representatives of all the institutions and corporations of that city. At Kovno and Warsaw the Commission interviewed members of the Lithuanian and Polish Governments. Conversations with representatives of the interested parties, with a view to the preparation of a satisfactory text, opened at Geneva on February 19th. When the Council of the League of Nations met on March 10th, the draft Convention was ready and the terms were accepted by the Lithuanian Government.

On March 15th, the Council, after having heard Mr. Norman Davis, President of the Commission, and M. Galvanuskas, Prime Minister of Lithuania, adopted the text submitted to it. The representatives of the Principal Allied Powers and the representatives of Lithuania expressly stated that they accepted it in the name of their respective Governments.

M. Skirmunt, representative of Poland, had previously stated to the Council that his Government desired certain modifications to be made in the Convention, particularly with a view to establishing a Polish zone in the Port of Memel, setting up an economic supervisory Council with a Polish member, and immediately re-establishing free transit between Poland and the Port of Memel, both for passengers and for goods. He stated that as these modifications had not been accepted, he was unable to accept the draft Convention and that all he could do was to submit it to his Government.

The principles which guided the Commission in its work, were defined by Mr. Norman Davis in the report which he submitted on behalf of the Commission, and in the statement which he made to the Council on that occasion :

"The Allied and Associated Powers (it was stated) had separated the Memel district from the German Empire for a very definite purpose—that the port of Memel might serve as an outlet to Lithuania and all the territory of the Niemen basin; and therefore there was a specific moral responsibility on the Allied Powers to see that it was used for this purpose. The Commission felt that it could not negotiate nor recommend to the Council of the League of Nations any agreement or solution which failed to provide proper safeguards for an efficient administration of the Port of Memel, equal and adequate facilities for all trade and commerce in the port, and an outlet for the economic-life of the entire hinterland.

"Considering the large body of international law in regard to the rights and duties of racial minorities which has been created by treaty contract since the war, the Commission felt that it could not recommend to the Council of the League of Nations any project for the transfer of sovereignty over the Memel Territory to Lithuania which did not offer the fullest protection to the non-Lithuanian population of the Territory and autonomy to the peoples in the Territory who had for several centuries lived under laws and customs different from those of the rest of Lithuania."

Mr. Norman Davis explained to the Council that the Committee, when endeavouring to arrive at a settlement, had taken particular care to avoid entering into any political controversy.

In fact, in the opinion of the Commission, the only way to reach a settlement of the Memel question was to isolate

it, as far as possible, from other controversies which, nevertheless, remained an important factor in the solution of the transit problem.

"The agreement with the Lithuanian Government at which the Commission has arrived," said Mr. Norman Davis, "is in conformity with the decision of the Conference of Ambassadors of January 16th, 1923. We believe that our draft Convention is a sound one, because the carrying out of its provisions is to the interest of Lithuania; it is to the interest of Lithuania to secure a clear title to the Memel Territory. It is to the interest of Lithuania as well as of the people of the Territory to have an effective autonomous government in the Territory. The same applies to traffic on the Niemen.

"On the other hand, the Commission fully and cordially recognises that Poland has economic interests in this district, and it has done everything in its power to safeguard them.

"I do not know of any formula by which goodwill can be created by statute or treaty, nor do I know of any legal machinery which, by itself, could render normal economic and commercial relations possible.

"If the proposed settlement is accepted in the proper spirit by all parties concerned, it can and should create a better political situation and bring about in the very near future a friendly understanding and co-operation, which would be distinctly to the advantage of all the people in the Baltic districts."

The texts submitted to, and accepted by, the Council include a general convention, regulating the position as established by treaty between the Allied Powers and Lithuania, and three annexes, one of which deals with all questions concerning the autonomy of the Memel Territory, another with the organisation of the Port, and the third with freedom of

transit on the Niemen. There is also a stipulation of a temporary nature providing for the coming into force of the Convention.

This general Convention lays down the conditions under which the Allied Powers transfer to Lithuania all rights and titles over the Memel Territory. Among other things it fixes the conditions under which the cost of occupation, administration and delimitation of the Territory is to be paid, it provides for the transfer of property, the right of option for former German nationals and the acquisition of Lithuanian nationality by the same nationals, the protection of minorities, and the rights of individuals and associations owing allegiance to foreign Powers.

Article I of the Statute of the Memel Territory lays down that the Territory shall constitute under the sovereignty of Lithuania a unit organised on democratic principles, enjoying legislative, judicial, administrative and financial autonomy within the limits prescribed in the Statute. This Statute defines the status of the local authorities, their duties and their powers.

The President of the Lithuanian Republic shall appoint a Governor of the Memel Territory. Legislative power shall be exercised by a Chamber of Representatives elected by universal, legal, direct and secret vote. The Directorate shall exercise the executive power in the Territory of Memel. It shall consist of not more than five members, including the President, and shall be composed of citizens of the Territory.

There is a special provision in the Statute recognising both the Lithuanian and German languages as official languages in the autonomous territory.

The Port of Memel shall be regarded as a Port of international concern. The recommendations adopted by the Bar-

Barcelona Conference with regard to Ports under international régime shall be applied in that port.

The administration, the working, the upkeep and the development of the Port of Memel shall be entrusted to a Harbour Board, which shall consist of three members, one representing Lithuanian economic interests, one representing the economic interests of the Memel Territory, and a third to watch over the international economic interests served by the Port, and particularly those of the districts of which Memel is the outlet to the sea. The Harbour Board shall maintain the present free zone and shall provide such additional accommodation as traffic in transit may require.

In the annex dealing with transit, the Lithuanian Government undertakes to ensure the freedom of transit by sea, by water and by rail of traffic coming from or destined for the Memel Territory or in transit through that territory, and undertakes to conform in this respect with the rules laid down by the Statute and Convention on the Freedom of Transit, adopted by the Barcelona Conference.

The Lithuanian Government, recognising the international character of the River Niemen and traffic thereon, and the general economic benefits to be derived from the exploitation of the forests in the Lithuanian and other districts in the Basin of the Niemen, for which Memel is the natural outlet, also undertakes to permit and to grant all facilities for the traffic on the river to, from or in the Port of Memel, and not to apply in respect of such traffic on the ground of the present political relations between Lithuania and Poland the stipulations of Articles 7 and 8 of the Statute of Barcelona on the Freedom of Transit and Article 13 of the Barcelona Recommendations relative to ports placed under an international régime (1). This provision is intended to

(1) See the text of the said Articles :

Article 7 of the Statute. — "The measures of a general or particular character which a Contracting State is obliged to take in case of an emergency affecting the

ensure the immediate resumption of the river traffic and particularly of the timber traffic consigned to Memel, which has been interrupted since the territorial dispute between Poland and Lithuania.

Lastly, by the temporary provision already referred to, Lithuania undertakes, immediately on ratifying the Convention and without waiting for its ratification by the other Contracting Parties, to give effect to all the provisions of the Convention and its annexes. On the other hand, the British Empire, France, Italy and Japan declare themselves ready on the ratification of the Convention by Lithuania to recognise as lawful any acts of sovereignty on the part of the Lithuanian Government in the Territory of Memel. This temporary provision, which is of an exceptional nature, since it provides for the coming into force of the Convention before its ratification by all the Signatories, allows Lithuania to enjoy immediately the advantages which are granted to her by this Convention, and it also enables the Principal Allied Powers to assure themselves that the Convention is being put into force.

Several of the stipulations of the Convention and its annexes provide for action by the League of Nations.

Article 17 of the Convention is the most characteristic in this respect. It reads as follows :

“The High Contracting Parties declare that any Member of the Council of the League of Nations shall

safety of the State or the vital interests of the country may in exceptional cases, and for as short a period as possible, involve a deviation from the provisions of the above Articles; it being understood that the principle of freedom of transit must be observed to the utmost possible extent.

Article 8. — “This Statute does not prescribe the rights and duties of belligerents and neutrals in time of war. The Statute shall, however, continue in force in time of war so far as such rights and duties permit.

Article 13 of the Recommendations. — “These provisions do not prescribe the rights and duties of belligerents and neutrals in time of war. They shall, however, continue in force in time of war so far as such rights and duties permit.”

be entitled to draw the attention of the Council to any infraction of the provisions of the present Convention.

"In the event of any difference of opinion in regard to questions of law or of fact concerning these provisions between the Lithuanian Government and any of the Principal Allied Powers Members of the Council of the League of Nations, such difference shall be regarded as a dispute of an international character under the terms of Article 14 of the Covenant of the League of Nations. The Lithuanian Government agrees that all disputes of this kind shall, if the other party so requests, be referred to the Permanent Court of International Justice. There shall be no appeal from the Permanent Court's decision, which shall have the force and value of a decision rendered in virtue of Article 13 of the Covenant."

The declaration in respect of the protection of minorities which Lithuania made before the Council of the League of Nations on March 12th, 1922, and the procedure adopted by the Council in regard to petitions dealing with the protection of minorities shall equally apply to minorities in the Territory of Memel.

The Chairman of the League of Nations Committee for Communications and Transit shall appoint the third member of the Memel Harbour Board. A copy of the Harbour Board's annual report shall be forwarded to the League of Nations Committee for Communications and Transit. Any proposed alteration in the composition or powers of the Harbour Board, or modification of the plan provided for the administration of the Port of Memel, must be approved by a majority of the Council of the League of Nations, and the same applies to any modifications in the annex dealing with transit.

The Chairman of the League of Nations Economic and Financial Committee shall, if necessary, appoint an arbitrator to settle the question of the payment of the cost of the occupation, administration and delimitation of the Memel Territory.

The Council, when proposing a solution for this difficult problem, has endeavoured at the same time to protect the interests of the Lithuanian State, of the population of the Territory and City of Memel, part of which is German-speaking, and also the interests of that Hinterland, both Polish and Lithuanian; of which Memel is the natural outlet.

With a few verbal alterations, the Convention was adopted by the Conference of Ambassadors and was signed by the Allied Governments and the Lithuanian Government in the month of May.



Notable amongst other questions before the League at the present time is the difference between Great Britain and Turkey regarding the frontier line between Turkey and Iraq. Both States have undertaken beforehand to accept the Council's final decision, and a Commission of three, which has been appointed to investigate and report to the Council, is now engaged upon its enquiries. Its programme includes visits to London, Angora, and the area in question.

ANNEX

INTERPRETATION OF CERTAIN ARTICLES OF THE COVENANT.

The representative of Japan, President of the Council, during the eighteenth meeting of the fourth Assembly on September 28th, 1923, made the following declaration :

"I am charged by my colleagues to inform the Assembly that the Council passed the following resolution at its meeting this afternoon :

"At its meeting of September 22nd, 1923, the Council asked a Committee of Jurists to formulate questions with regard to certain points concerning the interpretation of the Covenant and other matters of international law which the Council had had under consideration,

"The Committee submitted to the Council on September 26th the following questions :

Question 1.

"Is the Council, when seized, at the instance of a Member of the League of Nations, of a dispute submitted in accordance with the terms of Article 15 of the Covenant by such a Member as 'likely to lead to a rupture', bound, either at the request of the other party or on its own authority, and before enquiring into any point, to decide whether in fact such description is well founded?

Question 2.

"Is the Council, when seized of a dispute in accordance with Article 15, paragraph 1, of the Covenant, at the instance of a Member of the League of Nations, bound, either at the request of a party or on its own authority, to suspend its enquiry into the dispute, when, with the consent of the parties, the settlement

of the dispute is being sought through some other channel?"

Question 3.

"Is an objection founded on Article 15, paragraph 8, of the Covenant the only objection based on the merits of the dispute on which the competence of the Council to make an enquiry can be challenged?"

Question 4.

"Are measures of coercion which are not meant to constitute acts of war consistent with the terms of Articles 12 to 15 of the Covenant when they are taken by one Member of the League of Nations against another Member of the League without prior recourse to the procedure laid down in those articles?"

Question 5.

"In what circumstances and to what extent is the responsibility of a State involved by the commission of a political crime in its territory?"

"The Members of the Council being in agreement that any dispute between Members of the League likely to lead to a rupture is within the sphere of action of the League, and that, if such dispute cannot be settled by diplomacy, arbitration or judicial settlement, it is the duty of the Council to deal with it in accordance with the terms of Article 15 of the Covenant : the Council decides that these questions shall be referred to a Special Committee of Jurists for an opinion as to the answers to be given.

"The Council resolves that the report of the Special Committee of Jurists shall be submitted to it in time for consideration at its session in December. Each Member of the Council may nominate within a period of 15 days a jurist to be a member of the Committee.

The members thus nominated, together with the Director of the Legal Section of the Secretariat, will constitute the Special Committee of Jurists.

The Committee of Jurists contemplated by this resolution of the Council was constituted as follows: M. ADATCI (Japan), Lord BUCKMASTER (Great Britain), Dr. Enrique BUERO (Uruguay), M. F. de Castello BRANCO-CLARK (Brazil), M. FROMAGEOT (France), Dr. van HAMEL (Director of the Legal Section of the Secretariat), M. Vittorio ROLANDI RICCI (Italy), M. Oesten UNDEN (Sweden), Marquis de VILLA URRUTIA (Spain), and M. de VISSCHER (Belgium).

This Committee, of which M. Adatci was Chairman, met on January 18th, 1924, and finished its work on January 24th. In a letter dated January 24th, M. Adatci informed the President of the Council of the replies on which the jurists had reached agreement.

These replies were as follows:

Reply to the First Question.

"The Council, when seized, at the instance of a Member of the League of Nations, of a dispute submitted in accordance with the terms of Article 15 of the Covenant by such a Member as 'likely to lead to a rupture', is not bound, either at the request of the other party or on its own authority, and before enquiring into any point, to decide whether in fact such description is well founded.

"The Council may at all times estimate the gravity of the dispute and determine the course of its action accordingly."

Reply to the Second Question.

"Where, contrary to the terms of Article 15, paragraph 1, a dispute is submitted to the Council on the application of one of the parties, where such a dispute

already forms the subject of arbitration or of judicial proceedings, the Council must refuse to consider the application.

"If the matter in dispute, by an agreement between the parties, has already been submitted to other jurisdiction before which it is being regularly proceeded with, or is being dealt with in the said manner in another channel, it is in conformity with the general principles of law that it should be possible for a reference back to such jurisdiction to be asked for and ordered."

Reply to the Third Question.

"Where a dispute likely to lead to a rupture is submitted to the Council, on the application of one of the parties, in accordance with the provisions of Article 15, paragraph 1, the case contemplated in paragraph 8 of Article 15 is the only case in which the Council is not to enquire into the dispute.

"In particular, the reservations commonly inserted in most arbitration treaties cannot be pleaded as a bar to the proceedings.

"The Committee considers it desirable to observe that, where the case arises, the Council should, in determining the course of its action, have regard to international engagements, such as treaties of arbitration or regional understandings, for securing the maintenance of peace."

Reply to the Fourth Question.

"Coercive measures which are not intended to constitute acts of war may or may not be consistent with the provisions of Articles 12 to 15 of the Covenant, and it is for the Council, when the dispute has been submitted to it, to decide immediately having due

regard to all the circumstances of the case and to the nature of the measures adopted, whether it should recommend the maintenance or the withdrawal of such measures."

Reply to the Fifth Question.

"The responsibility of a State is only involved by the commission in its territory of a political crime against the persons of foreigners if the State has neglected to take all reasonable measures for the prevention of the crime and the pursuit, arrest and bringing to justice of the criminal.

"The recognised public character of a foreigner and the circumstances in which he is present in its territory, entail upon the State a corresponding duty of special vigilance on his behalf."

* *

The Council of the League of Nations, on March 13th, 1924, unanimously approved the replies of the Special Commission of Jurists.

During the examination of the report of the Commission statements were made by the Members of the Council, explaining their points of view.

M. Hanotaux, on behalf of the French Government, approved the replies as a whole, and the terms in which they were expressed. M. Quinones de Leon made a similar declaration on behalf of the Spanish Government.

Lord Parmoor, on behalf of the British Government, declared that he approved the answers of the Commission without reservations of any kind.

On behalf of the Belgian Government, M. Melot stated that he appreciated highly the excellent work done by the Commission of Jurists and accordingly supported, wholly and unreservedly, the report before the Council.

Viscount Ishii, on behalf of the Japanese Government, declared that he approved and accepted, as a whole and unconditionally, the replies of the Commission, adding that, in his opinion, in the present conditions of international law, no more perfect or satisfactory reply could be anticipated.

On behalf of the Czechoslovak Government, M. Benes stated that in view of the subtlety of the legal formula contained in the Report, the diversity of cases which might be brought before the Council, and the doubt as to the precise legal meaning of the word "approves," he would have preferred that the Council "take note" of the Report. In that case, however, he would have added the firm conviction that the Report formed a solid basis for the solution of questions with which the Council might be called upon to deal.

M. Salandra stated that the Italian Government approved the Report. It hoped that its approval would be regarded as a proof of its loyal adhesion to the essential principles of the Covenant, and of its desire that the League should continue to develop its useful work for the maintenance of peace and of the best possible relations between civilised nations.

M. Souza Dantas (Brazil) reminded the Council that the traditional policy of his Government was in favour of arbitration. He emphasised that Brazil would invariably resort either to arbitration, to peaceful procedure as laid down in the treaties she had signed, or to one of the procedures laid down in the Covenant of the League, to which Brazil was a party and the obligations of which Brazil intended faithfully to execute.

M. Branting (Sweden), while approving the report, said that, with regard to the reply to the fourth question, the

Commission of Jurists had not specified the cases in which coercive measures were legitimate or not. He added that the Swedish Government would have wished this question to be referred to the Permanent Court of International Justice and declared that his Government continued to be of the opinion that the use of armed forces was not compatible with the Covenant in the circumstances specified in the fourth question.

M. Guani (Uruguay) said that his Government would have preferred a clearer reply to the fourth question, defining, for example, more precisely measures to be considered as "measures of coercion not intended to constitute acts of war." He further pointed out that, in conflicts of this nature in the history of the American nations, the point of view adopted—even before the signature of the Covenant—clearly tended towards the exclusion of reprisals and towards settlement by arbitration of all international disputes.

* * *

The resolution adopted by the Council of the League was as follows :

"The Council, having noted the replies of the special Committee of Jurists to the questions raised in the resolution of the Council dated September 28th, 1923, approves those replies as a whole.

"It further decides that the text of the present resolution, together with the text of the replies, shall be communicated to all the States Members of the League of Nations."

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Signed at Geneva October 20th, 1921, by representatives of Germany, Denmark, Esthonia, Finland, France, the British Empire, Italy, Latvia, Poland and Sweden.

(See also *Official Journal*, Special Supplements Nos. 1 and 3.)

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