

" (2) Adopts the report of the Committee and in particular approves the proposals recommended therein for the re-organisation of the Khabur settlement on a fully self-supporting basis and authorises the Committee to proceed with their execution;

" (3) Takes note with satisfaction of the readiness of the Governments of the United Kingdom and Iraq to contribute their proportionate share of the cost of the scheme of re-organisation;

" (4) Refers to the Supervisory Commission the Committee's report and an extract from the Council's minutes relating to the discussion on the present question, with a view to obtaining the agreement of the Supervisory Commission, as contemplated in its report (document A.5(b).1936.X);

" (5) Decides, in view of the changed circumstances, to terminate such functions as the Committee possesses, by virtue of the Council's resolution of October 14th, 1933, in respect of the Assyrians in Iraq;

" (6) Takes note of the declaration of the Iraqi Minister for Foreign Affairs that the Assyrian community in Iraq will now resume its position as an ordinary national minority, which, while enjoying the benefits of the declaration on the protection of minorities, signed by the Iraqi Government at the time of its admission to the League of Nations and approved by the Council on May 19th, 1932,¹ will itself continue to be bound by obligations of loyalty to the Iraqi State;

" (7) Invites the Iraqi Government to take all necessary and practicable steps, in the spirit of the Council's resolution of December 15th, 1932, to ensure that the Assyrians remaining in Iraq are given every assistance to settle down within that country as a prosperous and contented section of the Iraqi people."

The resolution was adopted.

M. Tawfik el Swaidy withdrew.

3959. Free City of Danzig: Municipality of Danzig 7% Mortgage Loan of 1925 and Free City of Danzig 6½% (Tobacco Monopoly) State Loan of 1927.

M. SANDLER presented the following report:²

" 1. Two letters have been received from the Trustee of the Municipality of Danzig 7% Mortgage Loan of 1925 and the Free City of Danzig 6½% (Tobacco Monopoly) State Loan of 1927. In these letters (Annex 1679, page 1200), the Trustee states that the Senate of the Free City of Danzig has signed memoranda in regard to these loans, dated August 27th, 1927, which contain extremely important modifications of the terms of the General Bond and no provision for the service of bonds the holders of which do not accept the offer made thereunder.

" 2. Article 32 of the General Bond of the 1925 Loan and Article 30 of the General Bond of the 1927 Loan set out the procedure to be taken in the event of a breach of these two bonds. The two articles are identical and read as follows:

" " In case of breach of any of the terms of these presents by the municipality, the Trustee shall bring such breach to the notice of the municipality, and should such breach not be remedied within fourteen days of such notice then the Trustee shall bring the same to the notice of the Council of the League of Nations and in the case of such breach not being waived by the Trustee with the assent of the above Council or made good by the municipality within ten days of the decision of the said Council not to waive such breach then the principal and interest on the outstanding bonds shall immediately become due and payable and the Trustee shall (unless he has in the meantime received from the bankers notification that the said principal and interest has been paid) proceed to execution for the payment of the said principal and interest in respect of such of the mortgaged security as he shall deem necessary."

" 3. The Council has therefore to decide whether it is prepared to give its assent to the breach of these two bonds being waived by the Trustee.

" 4. The Council is no doubt aware that there was set up by private initiative in London in 1932 an international committee ' to provide an organisation which shall be available in case of need to protect the interests of the bondholders of the several League loans '. This Committee, which is known as the League Loans Committee (London) has negotiated arrangements with the Governments of several countries faced by difficulties resulting from the economic depression.

" 5. Early in June, Dr. Hoppenrath (Finance Senator) and Dr. Carl Schaefer (President of the Bank of Danzig) came to London to meet this Committee and other representatives

¹ See *Official Journal*, July 1932, pages 1212 and 1347.

² Document C.436.1937.II.A.

of holders of Danzig loans. Negotiations took place under the Chairmanship of the Earl of Bessborough, and the Danzig representatives finally made the following proposals in respect of their two League loans:

" 7% Mortgage Loan 1925: the rate of interest to be reduced to 5% and the sinking fund period extended by five years;

" 6½% Tobacco Monopoly Loan 1927: the rate of interest to be reduced to 4½% and the sinking fund period extended by five years.

" The Danzig Government undertook, moreover, that, in the event of any default arising in the future service of the loans on the proposed new scale, the bondholders would regain their full contractual rights as existing before the introduction of the proposed modifications.

" 6. On these proposals, the League Loans Committee made the following comment in its annual report:

" ' After careful consideration of the information supplied by the Danzig representatives and of further evidence obtained from independent sources, the Committee decided that, in all the circumstances, the Danzig Government's proposals were reasonable and it accordingly recommended them to the acceptance of the bondholders.'

" It set out its views more fully in an announcement released to the Press on July 9th, which will be found in the Appendix to this report.

" 7. The memoranda referred to by the Trustee in his letters under reference are in accordance with the proposals thus recommended for acceptance by the League Loans Committee.

" 8. In these circumstances, and after having consulted the President of the Financial Committee, I suggest that the Council should:

" (a) Give its assent to the waiving by the Trustee of the breach of these two bonds:

" (b) Request the Secretary-General to thank the Trustee for the action which he has taken and to inform him of its decision.

" Appendix.

" COMMUNIQUÉ PUBLISHED BY THE LEAGUE LOANS COMMITTEE, JULY 9TH, 1937.

" *Danzig (Municipality) 7% Mortgage Loan, 1925; Danzig (Free City) 6½% Tobacco Monopoly Loan, 1927.*

" The League Loans Committee announces that, at the request of the Free City and Municipality of Danzig, it has recently discussed the service of the above-named Danzig League Loans with Dr. Hoppenrath (Finance Senator of the Free City) and Dr. Carl Schaefer (President of the Bank of Danzig).

" The Danzig representatives laid before the Committee a detailed statement of the economic and financial position of Danzig and maintained that, in view of the difficulties they had to face, it would be impossible for Danzig to continue payments in respect of the service of their League and other external loans at the present level. They therefore proposed that, as from July 1st, 1937, the present rates of interest on the two Danzig League Loans should be reduced (the next coupon on each loan to be paid on the basis of the original rate of interest to June 30th and the new rate for the balance of the period) and the sinking fund periods extended, as follows:

Loan	New interest rate	Final redemption date to be postponed by five years— <i>i.e.</i> , to:
" Danzig 7% 1925-1945	5%	1950
" Danzig 6½% 1927-1947	4½%	1952

" The above modifications in the service of the League Loans to be accompanied by similar modifications for the 7% Danzig Electric Tramway Loan, 1928, and to the 6% Free City of Danzig (Match Monopoly) Loan, 1930.

" The Danzig Government has further undertaken that the bondholders would be entitled to revert to their full present contractual rights in the event of any default on the loan service as now proposed.

"The Committee has carefully considered the arguments advanced by the Danzig representatives and has also examined the economic and financial situation of the city and municipality in the light of evidence independently available to it. The Committee has reached the conclusion that, although the budget is now narrowly balanced and the foreign exchange position is stable, the result has been achieved temporarily by exceptional measures which cannot be maintained indefinitely. The persistent depression of the general level of prosperity of Danzig during the last decade justifies a reconsideration of the resources of the Free City both as regards earning power in free foreign currency and revenues for budgetary purposes. After full consideration the Committee is of the opinion that the Danzig Government, which has already reduced the interest on its internal loans to 4½%, has some justification in the circumstances in asking for a measure of relief in the burden of its foreign debt service. It can see nothing to be gained by insistence on the transfer of full service until the actual moment of default; such action, in the Committee's opinion, would create a situation which might seriously endanger the bondholders' interests.

"The Free City and the municipality have hitherto fully maintained the service of their foreign loans, including the two League Loans, and the Committee regrets that a default on the contractual terms of these loans should now arise. In all circumstances, however, the League Loans Committee is of the opinion that the Danzig Government's proposals as described above are reasonable. It accordingly recommends these proposals to the bondholders' acceptance.

"A further announcement will be issued in due course to inform bondholders of the necessary steps to be taken in order that their bonds may be made eligible for the new conditions of service.

"For the League Loans Committee (London),

"BESSBOROUGH,

"Chairman.

"COMMUNIQUÉ PUBLISHED BY THE LEAGUE LOANS COMMITTEE, AUGUST 26TH, 1937.

"*Danzig (Municipality) 7% Mortgage Loan, 1925; Danzig (Free City) 6½% Tobacco Monopoly Loan, 1927.*

"The League Loans Committee refers to its communiqué of July 9th, 1937, in which bondholders were informed that the proposals of the Free City and Municipality of Danzig, which were recommended to the bondholders' acceptance, included reduction of the present rates of interest on the above-named loans to 5% and 4½%, respectively, as from July 1st, 1937.

"The Committee announces that, with its agreement, the Danzig Government now proposes that the reduced rate of interest shall not come into operation until immediately after the payment of the next due coupon on each loan.

"Consequently, the coupon due September 1st, 1937, of the 1925 Loan and the coupon due October 1st, 1937, of the 1927 Loan will be paid at the full rates of 7% and 6½% per annum respectively."

The conclusions of the report submitted by the Rapporteur were adopted.

3960. Work of the Economic Committee at its Forty-fifth and Forty-sixth Sessions.

M. KOMARNICKI presented the following report:¹

"The Economic Committee held two sessions in June and September 1937. The results of its work are embodied in documents C.280.M.181.1937.II.B (Annex 1680, page 1205) and C.358.M.242.1937.II.B (Annex 1681, page 1211).

"These two sessions were almost exclusively devoted to an examination of the present state of international economic relations and the possibilities of carrying out the programme contemplated in the Tripartite Declaration of September 1936.

"I think the Council will agree that, before we consider the action to be taken on these reports, they should be forwarded to the Assembly, and we should await the outcome of the discussions to which, in view of the importance of the problems dealt with, they are sure to give rise in the Second Committee.

"I ought, I feel, to lay stress upon the connection between these reports and that of the Committee for the Study of the Problem of Raw Materials (Annex 1682, page 1229).

"Accordingly, I propose, if necessary, to lay suggestions before the Council after the Assembly has had an opportunity of expressing its views on these reports.

* * *

¹ Document C.394.1937.II.B