

Viscount ISHII said that, in view of the opinion expressed by the Committee of Jurists and in view of the reasons given by Viscount Cecil, he was ready to withdraw the questions raised by the four signatory Powers.

The SECRETARY-GENERAL observed that, although the Council had not definitely approved the report of the majority of the Jurists, he presumed that it would wish to modify the instructions it had given him previously, and that he should in the future follow the procedure now proposed in that report. He wished to be quite clear on that point.

The PRESIDENT said that the Council now had three questions before it:

In the first place, the report of the Committee of Jurists, which he believed it agreed to adopt.

In the second place, there was the declaration of the German representative concerning the right of the Members of the Council to draw the attention of the latter to all infractions of the terms of the Convention, a declaration with which, he thought, the Council agreed, as it was based on Article 17 of the Convention between the signatory States and Lithuania.

Finally, there was the reserve made by the Lithuanian representative on one passage in the report. On this last point, the Council might decide that the reserve should be recorded in the Minutes.

M. SIDZIKAUSKAS said that he agreed with this proposal.

The PRESIDENT said that nothing further remained but to adopt the report and to follow the procedure which had been already outlined by the Secretary-General.

This proposal was adopted.

The PRESIDENT said the new procedure would be adopted for the future and the question of procedure on which the dispute had arisen was now solved.

The conclusions of the Jurists' report were adopted.

M. SIDZIKAUSKAS thanked the Members of the Council for the friendly and trustful manner in which they had considered this question, which was of interest to Lithuania.

The PRESIDENT thanked the Committee of Jurists on behalf of the Council.

M. Sidzikauskas withdrew.

1807. Financial Situation of the Free City of Danzig Reports of the Financial Committee and the High Commissioner of the League of Nations at Danzig.

M. Sahn, President of the Senate of the Free City, and Dr. van Hamel, High Commissioner took their places at the Council table.

M. DE BROUCKERE, Rapporteur, read the following report¹

"We have four documents before us dealing with the financial situation of the Free City of Danzig: two reports from the High Commissioner of the League of Nations at Danzig, dated August 1st and September 15th, 1926 (Annexes 913 and 913a), and two reports of the Financial Committee² one relating to its twenty-third session, held in London in July and the other to the session which it has just held at Geneva.

"These documents will have enabled the Members of the Council to appreciate the various aspects of the question. The position is briefly as follows:

"In June, the Senate of Danzig explained to the High Commissioner that the state of the Free City's finances was in danger of becoming critical and might lead to complications. The Senate asked for the assistance of the competent organs of the League, under whose protection the Free City is placed. In response to the High Commissioner's request that a financial expert should be sent to Danzig in order to examine the situation, the President of the Council invited M. Janssen, a member of the Financial Committee, to undertake this work. M. Janssen accepted, proceeded to Danzig and stayed there from July 10th to 15th. On the basis of his report, the Financial Committee examined the question in London in July.

The Committee noted that the monetary reform carried out in Danzig in 1923 had been successful and that the stability of the gulden had been maintained. Danzig, however, did not escape the effects of the general crisis from which Central Europe was suffering towards the end of 1925. The number of unemployed in Danzig exceeded 20,000 at the beginning of 1926. Moreover, the Free City felt the repercussion of the depreciation of the Polish zloty. The position of the Treasury became difficult.

The Committee was of opinion that, in the first place, the budgetary equilibrium must be re-established and that it was essential that the plan of restoration should include provisions with regard to the reduction of expenditure. Budgetary economies must be effected up to 10 per cent of the total. The Committee suggested in particular certain reductions in the number of officials and in the amount of salaries and allowances of all kinds. In the opinion of the Committee, the revenue of the Free City could be increased by the establishment of a tobacco monopoly, with regard to which the negotiations with Poland had led to a satisfactory result.

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See Annex 901 to the forty-first session of the Council (page 1332 of the present issue) and Annex 914 to the present session (page 1442).

The Committee paid special attention to the decline in the Customs receipts, arising out of the depreciation of the zloty and the diminution of imports into Poland. A provisional short-term agreement between Poland and Danzig, by which Danzig would be guaranteed a minimum revenue from these sources, would afford the most practical and rapid solution with a view to an immediate easing of the situation. The Committee made certain suggestions which might serve as a basis for such an agreement.

The Financial Committee considered that permanent budgetary equilibrium could only be re-established by carrying out the whole of these recommendations. If equilibrium were restored, the Committee would be able to recommend the contraction of a loan, the object of which would be:

- (a) To cover the deficit in the 1926-27 budget and to repay the floating debt; and
- (b) To undertake certain productive expenditure in accordance with a programme to be drawn up by the Free City

In the course of the summer, the Free City adopted a supplementary budget for the current financial year, and the negotiations with Poland with regard to the Customs agreement were continued. The Committee, at its session at Geneva in September, noted that the measures taken or proposed by the Danzig Government did not correspond entirely to those which the Committee recommended in July and did not, in the Committee's opinion, constitute an altogether satisfactory alternative.

The Committee does not consider that it can recommend the issue of a loan until the Free City has dealt with the following three points, which still remain in suspense. The situation of Danzig as regards the obligations imposed upon her by the Peace Treaty, the agreement to be concluded with Poland with regard to the allocation of Customs duties, and the final arrangements with regard to the establishment of a tobacco monopoly. If, at the next session of the Committee in December, the Free City is in a position to show that definite arrangements have been made regarding these points, the Committee will, subject to the rights conferred upon the Polish Government by the Treaties and subject to the assigning of the necessary specific security for the service of the loan, be prepared to recommend a loan of approximately 30 million gulden, provided that the Free City submits a definite and satisfactory scheme of new economies capable of ensuring the equilibrium of the budget. This scheme must in particular fix the maximum total of budget expenditure for 1927 and 1928 and provide for a further reduction in the number of officials. The reduction in salaries should be made without a time-limit. The Committee regards it as a matter of the utmost importance that the Free City should, pending a fresh examination of the situation, undertake, except as regards any necessary renewal of the present floating debt, not to contract any new loan or short-term debt in the future without the consent of the Committee and not to enter into engagements susceptible of involving debts of this kind.

The Committee considers it desirable that strict stipulations should be adopted with regard to the control of the payment of allowances, the length of time they should run and their rates fixed in proportion to the level of salaries at Danzig.

The Committee is of opinion that the Free City should submit proposals which would enable the Committee to follow the progress of the work of reconstruction — for example, by means of quarterly reports.

The Committee will follow with interest the progress made by Danzig and will be happy to assist her as far as it can.

I have the honour to submit to the Council the following draft resolution.

The Council.

Approves the reports of the Financial Committee;

Takes note of the declarations of the representatives of Poland and the Free City with regard to the progress of their negotiations concerning the allocation of the Customs duties;

Expresses the wish that the authorities of the Free City should submit to the Financial Committee at its next session a satisfactory programme of reforms;

“ Hopes that the various authorities upon whom the conclusion of the agreements provided for in the report of the Financial Committee depends will show their readiness to accept solutions which render possible a final settlement of the problem of public finance in Danzig;

And trusts that it will be possible in the circumstances for the Financial Committee to recommend the issue of a loan to ensure the financial rehabilitation of the Free City

M. de Brouckère added that, since the drafting of his report, information had been received which led him to think that the negotiations between Danzig and Poland were proceeding satisfactorily and that, without undue optimism, there was hope of a prompt agreement.

M. SAHM, President of the Senate of the Free City said.

After listening to the report which has just been read and in particular to the further advice given by the Financial Committee to the Free City concerning the obtaining of a loan, it might easily be imagined that the finances of the Free City of Danzig were in complete confusion. It is not long since the Financial Committee and the Council of the League of Nations conducted a thorough enquiry into the administration and finance of the Free City. This was on the occasion of the introduction of a new currency for Danzig, and Danzig was then warmly congratulated on the way in which she had managed her financial affairs.

I am fortunate enough to be able to quote the following sentence from a report by the Financial Committee dated July 29th, 1926:

The monetary reform which Danzig carried out in 1923 with the aid of the League of Nations has been wholly successful, the stability of the Danzig gulden having been maintained without difficulty and the notes of the Bank of Danzig being covered by more than 100 per cent if all foreign assets of the Bank are added to the legal reserve.

This difficult piece of work was successfully accomplished by a young State which had received nothing of material value at the time of its creation. How are we to reconcile the discrepancy between the statements of the organs of the League of Nations at that time and the report of the Financial Committee to which we have just listened? I cannot explain this obvious contradiction better than by referring again to the report of the Financial Committee. The Committee says that the deficit in the 1926-27 budget has been caused by extraordinary circumstances. What are those extraordinary circumstances? On this point, the Financial Committee expresses itself shortly as follows:

After the monetary stabilisation, Danzig did not escape the effects of the general crisis which swept over Central Europe during the latter part of 1925 and led to widespread unemployment in Germany, Austria and Poland and also in Danzig, where the number of unemployed rose to more than 20,000 at the beginning of 1926. Danzig was further affected by the depreciation of the Polish zloty which reduced the purchasing power of the Polish market and also led to serious losses on advances granted in zloty to Polish customers. The Customs difficulties between Poland and Germany have without doubt damaged certain branches of Danzig's trade. On the whole, the development of Danzig will depend on the trade conditions in Europe generally and more particularly in Poland."

The depression is particularly serious in the case of agriculture, which plays an important part in the general economic life of the Free State. For reasons which are easy to understand, Danzig products cannot compete in price with those of Polish agriculture.

The economic crisis which is here so accurately described has also had a notable influence on the financial position of the State. Apart from the heavy outgoings for the relief of the unemployed and the diminution of the tax receipts, a very unfavourable factor was the reduction in the Customs revenue. The Free City of Danzig, which, as is known, is united to Poland in a Customs Union on the basis of the Versailles Treaty, receives, in consequence of a Convention between Poland and Danzig in force since 1921, between 7 and 8 per cent of the gross Customs revenue collected in the territory of the Customs Union. The cost of the Customs administration in Danzig territory is borne by Danzig.

The Free City's share in the Customs revenue amounted in the financial year 1924 to 23 million gulden and in 1925 to some 19 million gulden. According to the figures for the last months, this share will amount in the current year to only 8.6 million gulden. This reduction to scarcely one-third of the receipts for 1924 is due to the throttling of importation into Poland and to the depreciation of the zloty, which has led to a corresponding reduction in Danzig's share, reckoned in gulden. The Customs duties are payable at the option of the public in gulden or zloty. As the cost of administration constitutes a charge upon the budget of the Free City alone and is payable in gulden, it remains unchanged. The cost in question is estimated in the budget for 1926 at 6.5 million gulden. The net revenue which the Free City can hope for will therefore not greatly exceed 2 million gulden.

It cannot be wondered at in these circumstances that the Free City should have endeavoured to obtain a modification in the apportionment of the Customs revenue, the Convention regulating this apportionment having expired on January 1st, 1925. Such a modification has formed the subject of protracted negotiations between Poland and Danzig during the last two years. The negotiations have not yet led to a settlement. In consequence of a proposal by the Financial Committee, the intention is to arrange a short-term *modus vivendi* by means of a separate agreement.

The conditions which have just been described in connection with the economic crisis and the financial situation naturally had their effect on the State budget. In past years, surpluses were regularly shown. The estimates for 1926-27 could also be drawn up without providing for a deficit. In consequence, however, of the abnormal conditions which I have described, a deficit has arisen in the course of the financial year and heavy floating debts have had to be contracted, in particular by borrowing from German banks.

A clear realisation of the coming dangers caused the Danzig Government in May to acquaint the organs of the League of Nations with the situation. We hoped that it might be possible, with the assistance of the League of Nations, to overcome those difficulties which were connected with foreign politics — in particular, those inherent in the Customs question between Danzig and Poland and those connected with Danzig's position in relation to the Reparations Commission and the Conference of Ambassadors. Danzig believed that it had a certain claim to the League's help, as the Free City is the only State under the League's protection.

In consequence of this appeal, the Financial Committee of the League considered the financial situation of Danzig in the course of two sessions held, one in London and the other, a week ago, at Geneva. At its session held in London, the Financial Committee formulated certain

conditions: if Danzig fulfilled these, the Committee would consider itself justified in recommending a loan. As a result of the London report of the Financial Committee, Danzig drew up a scheme of financial reform. This reform was only adopted in Danzig after serious internal struggles. In every State with a democratic form of government, financial reform is always dependent upon the parliamentary situation. The Danzig legislative authorities cherished the not unjustifiable hope that, after these reforms had been adopted with so much difficulty the Financial Committee would recommend the proposed loan of 60 million gulden.

I must frankly confess that the resolutions recently adopted by the Financial Committee caused bitter disappointment. The new conditions, which go far beyond the resolutions adopted by the Financial Committee in London, may be described as extraordinarily hard and, in certain respects, perhaps impossible to fulfil. The disappointment is still further increased by the fact that the Financial Committee has consented to a loan of only 30 million instead of 60 million gulden. In consequence, our hope of decreasing by productive work the number — still very large — of unemployed who are clamouring for work has to a large extent been destroyed.

My own opinion may be expressed in a paragraph which I found recently in an article published in the Press:

“Unemployment is not only a material problem but, to a much greater extent, a social and psychological problem. Our spiritual development, the foundations of which are already undermined on all sides, will for decades—nay centuries—continue to feel the consequences of years of unemployment among men and women in their prime

Naturally it is not possible for me at the present moment to make a binding declaration about the attitude of the Danzig Government towards the proposals and recommendations of the Financial Committee. This statement must be reserved until the question has received careful consideration in Danzig. I venture, however, to draw the attention of the Council of the League of Nations to the following point: as stated in the Financial Committee's report, the Free City has liabilities, for which no provision has been made, amounting to 13,440,000 gulden. With regard to this floating debt, the Committee, as stated in the Rapporteur's report which is now before you, makes the following statement:

“The Committee regards it as a matter of the utmost importance that the Free City should, pending a fresh examination of the situation, undertake, except as regards any necessary renewal of the present floating debt, not to contract any new loan or short-term debt in the future without the consent of the Committee and not to enter into engagements susceptible of involving debts of this kind”

I consider it my duty to state frankly that this recommendation of the Financial Committee is anything but a help to the Free City in meeting its present difficulties. I know of no plan by which the Free City can pay back these debts, which fall due immediately or during the next few weeks. The Free City trusts that the Council of the League of Nations will not deprive it of the right to help itself in the matter of the floating debts.

There is a second fact which came to the knowledge of the Danzig Government only after the Financial Committee had concluded its deliberations. The Financial Committee's report contains a list of the liabilities imposed upon the Free City by the Treaty of Versailles. Among the three kinds of liabilities, the expenditure involved by the Allied Army of Occupation is mentioned under (a). According to a communication from the Conference of Ambassadors, dated July 16th, which did not reach the Danzig Government until September 11th, the Free City is called upon to pay the sum referred to in four yearly amounts, beginning on September 1st of this year. As the Free City was unable to take this factor into account when drawing up its scheme of financial reform, the situation is rendered more serious thereby. On behalf of the Free City I appeal to the Council of the League of Nations for its support in this matter, and also in the negotiations with the Reparations Commission.

In conclusion, I should like to say this. The Financial Committee, in its deliberations and resolutions, was apparently guided chiefly by financial considerations. I would beg the Council of the League of Nations, in arriving at its decisions, not to lose sight of social and political considerations, and to help the Free City of Danzig, which is under the protection of the League of Nations, to surmount the present financial crisis, which, it is to be hoped, is only temporary

M. ZALESKI said he did not intend to discuss in detail the report submitted by the Financial Committee. He proposed its adoption. The Polish Government recognised that the difficult situation in which the finances of the Free City of Danzig were at the moment placed was due in part to a falling-off of imports into Poland and to a fall in the value of the zloty

To find a remedy the Polish Government had consented to revise the division of the Customs receipts and to establish a minimum below which payments made by the Polish Government to the Free City would not fall. This reform would result in making the receipts of the Free City of Danzig more or less stable. The Polish Government had consented also to make certain changes in the methods of payment with the object of meeting the position in Danzig. The Polish

Government had gone still further and had enabled a tobacco monopoly to be introduced by the Senate of Danzig. It had concluded an arrangement whereby all tobacco covered by this monopoly would be admitted free of duty.

He would, however, emphasise the fact that, in the view of the Financial Committee, there were still other causes for the present position of the finances of the Free City. It was for this reason that the Committee had considered that the expenditure of the Free City must at all costs be reduced and that the reduction should amount to 10 per cent of the total present expenditure.

M. VAN HAMEL said he had nothing to add to the report which he had presented in writing to the Members of the Council. This report contained certain suggestions which he submitted for the consideration of the Council.

Dr. STRESEMANN said that, in view of the relations existing between Germany and the Free City of Danzig, the question under consideration by the Council had a very special interest for Germany. The problem also had an economic aspect which he would emphasise.

President Sahn, if he had rightly understood him, had referred to a floating debt amounting to 13 million gulden. The credits had been granted to the Free City of Danzig mostly by German banks. M. Sahn thought that, even if the League of Nations could give its assistance to the Free City of Danzig—and on this point he was far from being as pessimistic as M. Sahn—this assistance would not suffice to cover the needs of the Free City. He personally hoped that the negotiations between Poland and the City of Danzig would result in a satisfactory solution. Moreover, he believed that the situation would considerably improve if, instead of the Customs war which at present existed between Poland and Germany a treaty of commerce could be substituted which would result in restoring normal relations between those countries.

The important question was to know what the Free City of Danzig could itself accomplish in the transitional period which would last until the final settlement of the present difficulties. What would the City of Danzig do if the Committee of Experts prohibited it from contracting new debts?

M. Sahn had declared that, when the budget of the Free City of Danzig was established, the authorities had no knowledge of the requests for the payment of the costs of occupation. These payments would be spread over a period of four years. M. Sahn had also spoken of the considerable unemployment from which the Free City of Danzig was suffering at that moment. It was clearly impossible to say in the city in which the International Labour Office held its meetings that a State must leave its unemployed without assistance. For this reason, he ventured to ask the Rapporteur the following question. Was it not possible, with the object of improving the financial position of Danzig pending the next session of the Council, to suppress the provision in the report prohibiting the Free City of Danzig from contracting any new debts? He believed that the short-term debts would be renewed, and it seemed to him that, if this provision were withdrawn, the Free City of Danzig would be in a position to improve its finances pending the final solution, which would be found at the next session of the Council.

M. DE BROUCKÈRE said that he would first like to remove a misunderstanding which seemed to have arisen and which he deplored. He could hardly understand how the report of the Financial Committee and his own report, which was only a summary of the declarations made by the financial experts, could be interpreted as implying a censure, direct or indirect, of the authorities of the Free City of Danzig or as the expression of an unfavourable opinion on the way in which its finances had been administered.

It was expressly declared in the report that the Committee had noted that the currency reforms carried out at Danzig in 1923 had succeeded and that the stability of the gulden had been maintained. It seemed to him that this was an unreserved tribute and a tribute of which he had many reasons to emphasise the importance. Reference had been made to the present deficit and to the failure to balance the budget, but the Financial Committee had been careful to indicate the reasons, which were independent of the will of the Senate of Danzig. He had himself been careful to reproduce this part of the argument of the financial experts.

He would turn to the substance of the question. How could the conclusions which he had formulated be summarised? He proposed that the Council should approve the report of the Financial Committee. The result of such approval would be:

(1) As explicitly stated in the report, the Council would express an ardent wish for the fulfilment of the conditions formulated by the experts for their approval of a loan.

(2) The Council would call the special attention of the authorities at Danzig to the suggestions made by the financial experts.

It would be for the authorities of the City of Danzig to decide whether they would be able to re-establish the equilibrium of their budget by the means suggested by the financial experts or whether it would be necessary to employ other means which might, from certain points of view, be advisable, provided that such means could be found.

There was another ambiguity which must be removed. The report of the experts did not say that it was essential, in order to re-establish financial equilibrium, to cease granting relief to the unemployed in the City of Danzig. If that had been the conclusion of the experts, he could assure the Council that he personally would not have acted as Rapporteur. The Senate of Danzig had the right therefore to re-establish equilibrium in its finances either by the means suggested by experts whose qualities were universally recognised, or by other means if it could find them.

With regard to Dr. Stresemann's suggestion that that part of the conclusions of the report which limited the issue of new loans should be deleted, he doubted whether it was advisable to

accept such an amendment. The Council of the League of Nations was not consenting to a loan for the Free City of Danzig, but the financial experts were explaining the conditions under which they thought such a loan could be floated. What would be the practical effect of a decision of the Council of the League of Nations expressing the hope that this loan might be floated under other conditions ?

He would quote a sentence from the report to which he would particularly desire to draw the attention of Dr. Stresemann. The Committee regards it as a matter of the utmost importance that the Free City should, *pending a fresh examination of the situation*, undertake

Experience proved that the Financial Committee, which was composed of practical men and which had devoted special consideration to its work, was always ready to engage in any discussion which might be of value. Consequently he felt sure that, if the authorities of the Free City of Danzig would again apply to that Committee, it would examine afresh the position with the most careful attention.

Viscount CECIL OF CHELWOOD said that he wished to emphasise what the Rapporteur had said, that it was not the League of Nations which was granting the loan, but the experts of the Financial Committee which were advising the Free City of Danzig as to the terms on which they believed it would be possible for it to raise a loan. The loan would be advanced by the money markets of London and in other countries, and if Danzig wished to get the money it would have to satisfy those who were going to advance the money that the proposal was a business proposition. That was the only way in which money could be advanced and obtained.

The Financial Committee had great competence and experience in this matter and had said that, in its judgment, certain conditions would have to be fulfilled if the loan was to be obtained. He thought the Council would do Danzig a very ill service if it were to suggest that those conditions could be waived by the Council or by an act of clemency or anything of that kind. That was not the situation at all, it was a pure question of whether the money could or could not be obtained. That must depend on the condition in which the money market was when application was made for the loan and particularly on the security which it was thought, by those who were to advance the money would be available for the repayment of the loan.

As regards the question of the floating debt, if he had read the Rapporteur's report aright, the situation was this: there was no prohibition or discouragement of the renewal of the actual debt if the actual loans expired, there was no reason why they should not be renewed. Secondly if, in addition, it was found absolutely necessary to raise more money the Committee suggested that application should be made to it and the circumstances submitted to it, and that no new loan or short-term debt in the future should be created without the consent of the Committee. Such was the position, such was the expert advice given by the Committee, which said that it could not otherwise hold out any hope that a loan would be available later on. He begged the representative of Danzig and the members of the Council to realise that it was a purely business transaction, and that, unless the conditions were complied with, the money would not eventually be available.

Dr. STRESEMANN wished to remove a misunderstanding which appeared to exist between himself and the Rapporteur.

He had not suggested that the report or the Rapporteur recommended that the Free City of Danzig should cease to grant financial assistance to the unemployed. Everyone was convinced that such payments must be made, and those payments showed what an enormous burden was laid upon the Free City of Danzig by the great number of unemployed which it had to support. He had wished to point out that account must be taken of this fact when judging the situation.

He thanked the Rapporteur for having recalled what had been said at the end of his report. He concluded that it would be possible for the Free City with the assent of the Financial Committee, to contract a short-term loan, even perhaps a long-term loan.

He hoped the Council understood that he had wished to emphasise the position of the Free City and the necessity for the League to help it by allowing it to contract a loan.

M. SAHM fully agreed with Viscount Cecil as to the technical capacity and zeal of the members of the Financial Committee. He feared, however, that a misunderstanding existed with regard to the floating debt. In his view, it was merely a question of finding a method of meeting the financial necessities of the Free City until December 1st, 1926, and he feared that the Financial Committee would be unable to meet before that date, which meant that difficulties would arise.

It was necessary to find a method of action to which the Free City of Danzig could resort if it were faced with the necessity of finding money — for instance, in view of the fact that unemployment had further increased. If the Council did not think that it could amend its report, it might, in his view, authorise the Chairman of the Financial Committee to agree, in the name of the Council, to any measures which it thought were required.

In conclusion, he would emphasise the desire of the Free City of Danzig to have the support of the Council in the discussions with the Reparations Commission and with the Conference of Ambassadors.

Dr. VAN HAMEL wished to reassure President Sahn on one point.

He could not speak for the Financial Committee, but he had had the honour to attend its meetings and he was aware that it had discussed the quickest method of giving Danzig the opportunity of getting out of the difficulty. The telegraph was always available, and the Council could be certain that he would have drawn the Financial Committee's attention to certain difficulties if it had not already foreseen them.

The PRESIDENT added that the Chairman of the Financial Committee had stated that it would always be possible to approach him and to keep in permanent touch with him. If the necessities to which reference had been made arose, the Committee could immediately take a decision. Provision had accordingly been made for dealing with these eventualities.

There was no longer any misunderstanding: the difficult position of the Free City of Danzig had been described, the Council had noted the possibilities of relief. Measures could, if necessary be taken in the way suggested by the representative of Germany.

The resolution proposed by M. de Brouckère was adopted.

M. Sahn and Dr. van Hamel withdrew.

1808. Report of the Salaries Adjustment Committee.

M. VALDES-MENDEVILLE read the following report of M. VILLEGAS ¹.

"The report adopted by the second Assembly provides that the conclusions of the report of the Salaries Adjustment Committee shall be submitted for approval to the Council of the League of Nations before being put into effect, it being understood that these conclusions should be within the limits of the budget voted by the Assembly.

"As my colleagues will have noticed, the report which has been submitted to us might result in a modification of the salaries of the officials of the League, as the cost of living has somewhat increased.

"In these circumstances, my colleagues may think it best for the Council simply to take note of the report of the Salaries Adjustment Committee, which should be submitted immediately to the Assembly.

"As the report of the Salaries Adjustment Committee has, by the terms of the Financial Regulations, to be submitted to the Supervisory Commission, I beg to propose, in order to save time, that it be communicated immediately to the Commission in order that the latter may be in a position to submit its proposals as soon as possible to the Assembly which will take the final decision.

The report was adopted.

1809. Loan for the Settlement of Bulgarian Refugees Question of the Haskovo-Mastanly Railway

M. Molloff, representative of Bulgaria, and M. Caclamano, representative of Greece, came to the Council table.

M. DE BROUCKÈRE read the following report ².

The Council will remember that the question of the construction of the Haskovo-Mastanly Railway with funds derived from the loan for the establishment of Bulgarian refugees was, at the moment of the discussion of this question by the Council on September 7th, reserved for examination at one of the later meetings of the present session.

"As Rapporteur, I discussed this question with the interested parties. I am glad to be able to inform you that these negotiations have reached a point at which the Council will probably be able to take a decision to-day. If, then, the difficulties have been solved during the present meeting, I propose that the Commissioner, M. Charron, should receive instructions from the Council to the effect that, before approving the plans for the construction of the railway, and before liberating the funds required for that construction, he should obtain the opinion of competent and disinterested experts in order to assure himself that no expenditure will be made on work which is not exclusively for economic purposes.

I would now suggest that the Bulgarian representative, who has a declaration to make, should be asked to speak, and subsequently that the Greek representative should be asked to speak.

M. MOLLOFF representative of Bulgaria, said:

In the name of my Government, I declare that we agree to the contents of the report which has just been read and that consequently we consider that the League Commissioner will have every right to obtain information and, if necessary take the measures required.

With reference to the second part of the report, I am authorised to declare that my Government has no intention of extending the railway beyond Mastanly towards the Greek frontier.

In conclusion, I would express my great gratitude to the Rapporteur, who, by his friendly and loyal assistance, has greatly helped us in reaching a solution.

M. CACLAMANO, representative of Greece, said:

I note with satisfaction the declaration made by the representative of Bulgaria concerning the non-extension beyond Mastanly towards the Greek frontier of the railway to be constructed