

During consideration of the matter by the sub-committee a number of points were raised and these are dealt with in the report (Document A. 49). This report, together with the relative minutes, will be sent to the special Committee which, under a resolution of the Assembly of the 27th September, will be composed of—

Count Carton de Wiart (Belgium).
 M. Stefan Osusky (Czechoslovakia).
 Sir F. Phillips (United Kingdom).
 M. Castillo Najera (Mexico).
 M. C. J. Hambro (Norway).

I was a little disturbed by a suggestion of the sub-committee that arrears of contributions received in respect of the years 1920-32, inclusive, should be placed in a special reserve account. My own feeling was that if this suggestion referred to a reserve fund it should be opposed, as every year the Assembly votes a considerable sum of money for use by the Council in cases of emergency. I raised the point in debate. I am satisfied, from the answer given, that such a fund, if created, would be used in order to prevent those States which have defaulted year after year from sharing in a reduction of contributions which would otherwise be possible under the old system of distributing amongst members unspent balances. This question will be studied by the special Committee. Any hope of receiving arrears in full has become very faint, and apparently an attempt will be made to compound with defaulting States for a reasonable payment, if necessary spread over a number of years.

It will be observed that the Committee decided to cancel the arrears of the Argentine Republic for the years 1929-32. There had long been doubt regarding the position of the Argentine in its legal relationship to the League during that period.

Detailed particulars of arrears are given in the various appendices to the Fourth Committee's report.

When the sub-committee's report came before the Fourth Committee I stated that, in my opinion, the present position in regard to defaulting States could not be allowed to continue, for the League was incurring severe criticism because of its failure to take action against members who evaded their financial obligations, and I expressed the hope that the special Committee would make proposals which would enable the Assembly to deal with recalcitrant States.

This question of contributions in arrears has some bearing on a delicate position which has arisen in consequence of the Allocation of Expenses Committee not having been able to suggest a definite scale for allocation, despite the fact, almost universally admitted, that the present scale is inequitable, and, indeed, unjust to some countries. I will therefore proceed to deal with the question of allocation of expenses.

ALLOCATION OF EXPENSES.

We must respect the plea of the Allocation of Expenses Committee that it has been impossible to draw up the revised scale which it was hoped would be presented to this year's Assembly. I think the Committee has made out a good case for its inability to complete its task (see Document A. 9), but a repetition of the difficulties with which it is faced, although universally appreciated, is by no means a palliative to the feelings of those countries who believe that they are unjustly treated in the matter of their contributions to the League's Budget.

This year several meetings of the Fourth Committee were devoted to the subject, the representatives of a number of States, including many who are in arrears, taking part in the debate, the Chinese and Siamese delegates especially making strong appeals for relief. There can be no doubt that some countries, when compared with others, are unjustly treated; but I cannot see how a problem of this kind, bristling as it does with difficulties, is likely to be solved with mathematical precision. As I said in Committee, there were few countries which could not claim that they were suffering from the economic crisis, that they were unable to balance their budgets, or that their currencies were seriously depreciated in terms of gold, thus causing their contributions to the League to show such swollen figures in their budgets. In the scramble for reduction in units little attention seems to be paid to the fact, which must be faced, that reduction in one direction must inevitably lead to increase in another. The United Kingdom delegate made a suggestion the adoption of which would have helped those countries that have grievances, but its reception was by no means cordial. It was to the effect that these members of the League occupying permanent seats on the Council should be rated at the number of units paid by Great Britain (105). After allowing for the loss of contributions from Germany and Japan there would be a surplus of units which could be used to reduce the contributions of other States. This suggestion gave rise to a protest (which I fear will be much greater in volume, when the revised scale is submitted) from those who, under such an arrangement, would have to pay more.

Russia had been admitted to the League with a permanent seat on the Council. It was known that she had expressed her willingness to be rated at the number of units paid by a Great Power, and had cited France as an example. It was likely that Afghanistan would be admitted. The number of units to be paid by these countries had therefore to be fixed.

Ultimately the various points were remitted to a small sub-committee. It succeeded in presenting a unanimous report, which recommended the retention of the present scale for 1935, subject to the following:—

- (1) To fix for the next year only the contribution of Afghanistan at one unit, and the contribution of the U.S.S.R. at seventy-nine units.