LEAGUE OF NATIONS

DRAFT CONVENTION ON FINANCIAL ASSISTANCE

REPORT OF THE THIRD COMMITTEE TO THE ASSEMBLY

Rapporteur: M. COBIAN (Spain).

At its last session the Assembly requested the Financial Committee to frame in all its details a complete draft Convention on financial assistance to be submitted to it at its present session. This recommendation by the Assembly has been fully complied with. I am sure I shall be interpreting the wishes of all the delegations here represented if I first cordially thank the Financial Committee for the exceedingly valuable work it has done.

There is no need for me again to give a survey of the general framework of the Convention. The system of financial assistance proposed is already sufficiently known. It consists, in a word, in the guaranteeing by the other States of a loan to be issued on behalf of a country which is attacked or which is threatened with war. All that is needed at the moment is to bring the work of the present session to a satisfactory conclusion and to give a general survey of the discussions which have taken place.

The questions raised in the Third Committee during the examination of the draft Convention may almost all be classified under two distinct heads: those questions which are clearly financial and technical and those the solution of which depends upon political considerations. These two kinds of questions call for a different procedure.

Let us begin with the financial questions. In the course of discussion, a whole series of suggestions were made, some of them most useful, on clearly technical points; for example, the exclusion from the guarantee, in the interest of the loan, of a State situated in special circumstances, or, again, the establishment of international control over the service of the loan. These suggestions, which are recorded in the Minutes of the Third Committee and which I will refrain from enumerating here, will have to be thoroughly examined from the financial point of view before any final decision can be taken. The Third Committee proposes that they should all be referred to the Financial Committee for examination and report.

The second category of questions comprises problems of a political nature. I will venture to deal briefly with the four questions which I consider the most important.

1. The question which has dominated the whole discussion is that of the cases in which financial assistance may or should be given. This point is dealt with in Article 1 of the draft Convention. The Third Committee was unanimous in declaring that the Council should be able to accord such assistance to a party to the Convention against which another State had, in violation of its international obligations resorted to war. Many delegations would like to go farther and stipulate that in such cases it would be the duty of the Council to accord assistance.

Secondly, many delegations think—contrary to the opinion expressed by others—that the Council should be enabled to render financial assistance in case of a threat of war. These delegations, however, differ widely in their views as to the conditions under which financial assistance should in such a case be given. Some delegations, being of opinion that the rendering of financial assistance before war has broken out is closely connected with the measures which the Council can take to safeguard peace, would like a decision on this question to be reserved until the fate of the Convention on the means of preventing war has been determined; others consider that the two questions can be settled separately.

Owing to the differences of opinion which I have just mentioned, it has not yet been possible to agree on the text of Article 1 of the draft Convention. Annexed to this report will be found the results of the work of a Sub-Committee which had been instructed to propose a new text. The proposals of the various delegations are set forth in this Annex.
2. The second question is that of the possible connection between the Convention of Financial Assistance and the Disarmament Convention.

Most of the delegations admitted the necessity for such a connection. In order to clarify ideas, the Third Committee drafted an additional article which was adopted on first reading. The exact way in which this article will have to be combined with the other articles of the Convention still remains to be considered. The text is as follows:

"The present Convention shall not come into force until a general Disarmament Convention in accordance with Article 8 of the League Covenant has been brought into operation. The present Convention shall cease to have effect as soon as the general Disarmament Convention ceases to be operative.

"It is also to be a condition that no country which is not a party to such Disarmament Convention, or which shall fail to carry out its obligations under such a Convention, shall be entitled to the benefits of the present Convention."

This last paragraph was referred for examination to the Financial Committee.

3. The third question concerns the stipulations with regard to the vote of the Council, the cases in which unanimity will be required, those in which a simple majority will suffice and, finally, the determination of those States which will not take part in the vote. The majority of the Third Committee held that, in framing these stipulations, it was desirable to follow as closely as possible the exact terms of the Covenant. Accordingly, the following text was adopted on the first reading for the first two paragraphs of Article 26:

"1. Decisions of the Council under Article 1 shall require the agreement of all the Members represented at the meeting, other than the representatives of the parties to the dispute.

"2. All other decisions taken by the Council in virtue of the present Convention shall be taken by a simple majority of the members represented at the meeting other than the representatives of the parties to the dispute."

4. The fourth question relates to the authority which will have to settle disputes concerning the interpretation or application of the Convention. The draft proposes that the questions regarding the execution of the guarantees shall be settled by trustees with a non-suspensive right of appeal to the Council, and that it shall be the Council which in general decides on any question of interpretation or application.

Several delegations proposed the jurisdiction of the Permanent Court of International Justice. The suggestion which seemed to gain the approval of the majority of the Committee consists in providing a non-suspensive right of appeal to the Court for all questions of interpretation, the Council deciding upon questions of application. Nevertheless, the Third Committee was of opinion that the financial consequences of this solution should be examined by the Financial Committee.

With regard to the first question, namely, the determination of cases in which financial assistance may or should be given, the differences of opinion are for the moment so wide that it was impossible to reach even a provisional agreement within the very limited time which the Assembly has at its disposal for the discussion of a question of this kind. This does not at all mean that an agreement is impossible; on the contrary, all the delegations which took part in the debate showed the strongest desire to find a solution and to reach a practical result. The questions at issue, however, are so far-reaching and so complicated that time is required in order to reflect upon them and to examine with the necessary care the pros and cons of the various solutions proposed. Several quite new aspects arose for the first time during the discussions of the last few days. It is impossible to dispose of these difficulties off-hand.

In these circumstances, it soon became apparent that there could be no question of finally adopting the Convention during the present session of the Assembly. On the other hand, to postpone the matter until next year can hardly be considered a satisfactory procedure. Accordingly, the Third Committee proposes that the Committee on Arbitration and Security should be asked to examine the draft Convention and to establish its text in collaboration with the Financial Committee. This text would then be submitted either to a special diplomatic conference or, at the latest, to the next Assembly. This procedure seems to furnish the best guarantees that the details will be well considered, which is an indispensable condition if we are to reach a final agreement.

The Third Committee submits for approval by the Assembly the following resolution:

"The Assembly:

"Having examined the draft Convention on Financial Assistance drawn up by the Financial Committee;

"Noting that the determination of the cases in which this assistance could or should be granted is in close relation with the general problem of the definition of the aggressor and with that of the means of preventing war and that the connection between financial assistance and the reduction and limitation of armaments has been recognised and should be thoroughly examined;

"Taking into consideration the various amendments which have been submitted, several of which necessitate adjustment in the technical machinery of the plan of assistance, whereas others are of a political character;"
"Requests the Council to take steps to ensure the early establishment of a complete text capable of being submitted to States for signature at the earliest possible date.

It accordingly suggests that the Council should instruct the Committee on Arbitration and Security to draw up this text in co-operation with the Financial Committee. The text would, after it had been communicated to the Governments, be submitted for the approval either of a special conference or at the latest for that of the next Assembly."

Annex.

The Third Committee of the Tenth Assembly appointed a Sub-Committee to prepare a new text of Article I of the draft Convention on Financial Assistance. The results of the work of this Sub-Committee are shown below:

I. — The first paragraph of Article I to read as follows:

"In order to safeguard the peace of nations in conformity with the aims of the Covenant, it is agreed:

(a) If a State, in violation of its international obligations, resorts to war against a High Contracting Party, the Council, seized in virtue of the Covenant, and at the request of that Party should decide that the financial assistance provided for in the present convention shall be accorded to the said Contracting Party."

II. — For the second paragraph, different texts have been proposed. The Sub-Committee has not been able to agree on any one of these proposals and therefore submits herewith the various alternatives.

Proposal by the British Delegation (supported interalia by the Delegation of Finland).

"(b) If the Council, in pursuit of its duty under the Covenant, shall, in any international dispute likely to lead to war, have taken action to safeguard peace, then, if either of the parties to the dispute shall refuse or neglect to comply with any directions given by the Council in furtherance of such action, the Council may accord financial assistance to the other party."

Proposal by the French Delegation.

"(b) Further, if two or more States have undertaken under conditions to be defined by a Convention on the means of preventing war, or undertake before the Council to carry out the measures recommended by the Council in order to prevent or arrest hostilities between them, the Council may declare that it will accord financial assistance to those of the States in question, being parties to the present Convention, to whose detriment the said measures have been infringed."

Proposal by the German and Italian Delegations.

In the first paragraph the word “should” to be replaced by the word “may” and the second paragraph to read as follows:

"(b) If in a crisis the Council considers that there is a danger of war, it may notify the two parties to the dispute that financial assistance will be granted to the State against which one of the parties to the dispute goes to war. The Council may add this notice to the recommendations that it may make in virtue of Article II of the Covenant."

The British, Danish and Swedish delegations propose to add the following sentence to the end of the second paragraph:

"However, before granting financial assistance, the Council shall try to use all appropriate measures to stop the conflict by mediation or other means."

III. — The third paragraph to read as follows:

"(c) The financial assistance referred to in paragraph (b) of the present article shall only be granted by the Council subject to the previous undertaking of the State involved:

1 The French delegation requests that the words “the Council should” be replaced by the words “it shall be the duty of the Council to”.
2 The Danish and Swedish delegations request that this should read: “referred to in paragraphs (a) and (b)”. Otherwise they make a reservation concerning the text of the first paragraph (paragraph (a))."
“(1) To accept and apply the provisional recommendations which may be made by the Council with a view to preventing the aggravation of the situation or to the re-establishment of peace, and

“(2) To accept the Council's mediation or the arbitral or judicial settlement of the dispute.”

IV. — Additional Article.

The French delegation, supported by the Finnish, Netherlands and Spanish delegations, proposes to add the following article to the Convention:

“Without prejudice to the obligations arising from Article 16 of the Covenant, the High Contracting Parties undertake to give no help, direct or indirect, to any Powers that may be involved in hostilities against a High Contracting Party to which the financial assistance provided for by the present Convention has been accorded.”

1 The French delegation makes its approval of Section (1) of this paragraph subject to the final drafting of the second paragraph (paragraph (b)).