

"Requests the Council to consider whether it would not be desirable to invite the Assembly, during its present session, considerably to increase the credits that it is customary to vote each year for technical collaboration with China, so as to make available the funds necessary to carry out a scheme to be drawn up as soon as possible by the Health Committee or by a committee specially appointed for the purpose, on which, if necessary, expert advisers could be co-opted."

The Assembly, at its meeting on the following day, transmitted the resolution to the Fourth Committee, which, in turn, entrusted the Supervisory Commission with an examination of the question. The Fourth Committee, however, did not wait for official communication to it of the resolution, but proceeded, on the morning of the 2nd October, to discuss it on the proposal of the Secretary-General. This procedure was, of course, out of order, but time was precious, and the discussion was treated as unofficial. I myself had spoken in the Council, and I felt the greatest sympathy towards the proposal—indeed, had any delegate suggested that a grant by the League should be supplemented by grants from State exchequers, I should have telegraphed you for instructions, but no such proposal was made. The speakers who took part in the debate expressed every sympathy with China, including the delegate of the United Kingdom. I was, however, somewhat surprised to note that he did not contemplate an addition to the money available plus that which would normally be voted. He suggested that the balance required should be found from that part of the surplus of 1936 which had so far not been allocated. It may reasonably be pointed out that such an arrangement, if accepted, would have entailed an addition to the contribution by each member of the League in so far as the contribution for 1938 was not reduced by the proportion of the surplus devoted to China. Several delegates felt uneasy, and M. Hambro made one of the best speeches he has ever delivered. He was very trenchant in regard to a hint made by another delegate that perhaps part of the Reserve Fund might be utilized. I quote the following from the brief account of his remarks as given in the provisional minutes of the meeting, which, however, do not adequately convey all that he said:—

"He pointed out that the Reserve Fund had been created to enable the League to meet special difficulties which might arise owing to events he need not discuss there, and not to meet special requests arising out of the difficulties of a particular State in a particular year. If they drew on it for that purpose, might they not be ruining an edifice they had taken considerable trouble to build up? Moreover, they would not be making any sacrifice."

"What the members of the Supervisory Commission wanted to know was what sums the Council had in mind, and where it was thought they should be obtained—from an increase in the Budget, the 1936 surplus, or the Reserve Fund. The Committee was faced with a practical question which must be discussed from a businesslike and not a sentimental standpoint."

When, at a later state, the Fourth Committee had before it the report of the Supervisory Commission, it was found that the latter had contrived to find money without entailing an addition of much more than 3,250,000 Swiss francs to the budget, because it proposed to devote to the work the Chinese contribution to the League for 1937, amounting to 1,369,335 Swiss francs. As, however, the contribution had not then been received, and as money was urgently required, the Fourth Committee agreed to request the Assembly to authorize the withdrawal of any sums necessary before the 1st January, 1938, from the Working Capital Fund. Further particulars will be found on pages 8 and 9 of the Supervisory Commission's third report (Document A. 5 (b)).

A decision of the Fourth Committee approving of the regrading of certain sections of staff of the Secretariat needs no more than passing reference, especially as it implied increase of neither staff nor estimates.

There is little to add to what was contained in my report on last year's Assembly on the Staff Pensions Fund. The difficulty of finding safe investments bearing adequate interest rates is still apparent, and more than half of the fund's assets are still in gold. Further, the fund has become burdened with membership by some who were allowed to join late in life, a proceeding which is not to be encouraged. But all who have had experience in the supervision of staffs know the difficulties with which it is beset.

Below I have devoted a few paragraphs to the Supervisory Commission and to the subject of Contributions to the Expenses of the League, and the section of this report which deals with the First Committee contains a statement of the action of the Fourth Committee in regard to contributions of States which have given notice to determine membership.

No special comment is required on the estimates for the International Labour Office or the Permanent Court of International Justice.

On the 5th October the Assembly considered the reports of its Fourth Committee (Documents A. 76, 1937, and A. 76 (a), 1937) and approved the Budget for 1938, amounting to 32,273,251 Swiss francs for expenditure and 22,682,148 gold francs as income.

Before concluding, perhaps I should comment on one or two of the items on which part of the 1936 surplus will be spent.

The sum of 1,000,000 Swiss francs earmarked for the Renovation Account will be used for renovations which it is anticipated will be required during the next few years, apart from ordinary running-repairs. The building which houses the Secretariat, the Library, the Council Chamber, the Assembly Hall, and the various Committee-rooms is of immense size, and it is reasonable to suppose that there may become necessary renovations and alterations not covered by the building contract. It is wise to set aside money unexpectedly available for a purpose which might, in the words of the Supervisory Commission, upset "the equilibrium of the Budget."