LEAGUE OF NATIONS

DISPUTE BETWEEN ETHIOPIA AND ITALY

REQUEST BY THE ETHIOPIAN GOVERNMENT

Note by the Secretary-General:

The Secretary-General has the honour to circulate to the Council and Members of the League a Memorandum,\(^1\) with annexes, which was handed to him on May 22nd by the Ethiopian delegation.

MEMORANDUM

1. On November 23rd last, the Ethiopian escort of the International Commission for the Delimitation of the Anglo-Ethiopian frontier, when surveying the pasture-lands in the Ethiopian province of Ogaden, encountered an Italian detachment which was in occupation of Walwal. When this circumstance came to the notice of the Imperial Government, the latter at once addressed a protest, on December 6th, 1934, to the Italian Chargé d’Affaires, against the illegal occupation of a portion of Ethiopian territory, and invoked the Italo-Ethiopian Treaty of August 2nd, 1928, with a view to reaching a settlement of this abnormal situation.

Meanwhile, on December 5th, 1934, in circumstances that have been described in the Ethiopian memorandum to the Council of the League of Nations, an engagement took place at Walwal.

The Ethiopian Government confirmed its protest of December 6th by a note dated the 9th, demanding arbitration as provided under Article 5 of the Treaty of August 2nd, 1928.

2. Following the two notes referred to above, Italy took up the position of complainant and demanded apologies, honours to be paid to the Italian flag, an indemnity of 200,000 thalers, the punishment of the Ethiopian officers, and the surrender of a political refugee named Omar Samantar.

All the Ethiopian Government’s efforts to arrive at a settlement of the dispute by arbitration having failed owing to Italy’s maintenance of her demands, as may be seen from the note of December 14th, 1934, the Ethiopian Government found itself obliged to appeal to the Council of the League under Article 11, paragraph 2, of the Covenant. Ethiopia’s appeal was considered by the Council at its meeting on January 19th, 1935. The Council’s resolution, taken that day, was in accordance with the letters addressed to it by the Ethiopian and Italian delegations.

The Council’s resolution, like the Italian delegation’s letters, refers explicitly to Article 5 of the Treaty of August 2nd, 1928, with a view to the settlement of the dispute, and reads as follows:

"The Council, taking note of the letters which have been addressed to the Secretary-General by the representative of the Royal Government of Italy on the one hand, and by the representative of the Imperial Government of Abyssinia on the other hand, and in which, prompted by a spirit of conciliation, they declare their readiness to pursue the settlement of the incident in conformity with the spirit of the Treaty of Amity of 1928 between Italy and Abyssinia, and with Article 5 of the said Treaty, and noting that they have pledged themselves to take all expedient measures and to give all useful instructions for the avoidance of fresh incidents, postpones the discussion of the Abyssinian request to the next session."

3. When Ethiopia made her appeal to the Council of the League, direct negotiations had already broken down, owing to the attitude of the Italian Government, which demanded reparation and at the same time refused arbitration.

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\(^1\) The Memorandum, without annexes, was distributed on May 22nd, as document C.230.M.114.1935.VII.
When she agreed to the postponement of the discussion before the Council, Ethiopia was convinced that Italy was genuinely prompted by a spirit of conciliation and intended to negotiate the constitution of the Court of Arbitration provided for in Article 5 of the Treaty of 1928.

In conformity with the Council’s resolution, the direct negotiations at Addis Ababa dealt with the establishment, in the first place, of a neutral zone between the Ethiopian and Italian positions. These negotiations were complicated by the attitude of Italy, who went so far as to deny Ethiopia’s right to employ, for the demarcation of the aforesaid neutral zone, foreign officials who are in the service of the Ethiopian Government. Ethiopia agreed—plain evidence of her conciliatory attitude—not to employ the services of these foreign officials in the case in point and, the Italian Minister having obtained this satisfaction, an agreement was accordingly concluded on February 27th, 1935.

4. This preliminary obstacle having been overcome after about a month of negotiations, the principal questions—viz., the ownership of Walwal and the responsibility for the attack of December 5th—are still unsettled.

In the course of the conversations that have taken place, the Italian Minister has always asserted that he had only general instructions from his Government and was speaking purely personally. On that basis, he maintains the position adopted in the note of December 14th, 1934, and claims reparation from Ethiopia. In his view, that would constitute a settlement of the question of the responsibility for the attack of December 5th. He proposes that the question of the ownership of Walwal be referred to an exclusively Italo-Ethiopian Commission with instructions to demarcate the frontier laid down in the Treaty of May 12th, 1908, without any preliminary impartial interpretation of the provisions of that Treaty. His attitude therefore brings the negotiations back to the point at which they stood when the question was brought to the notice of the League Council by the Ethiopian Government’s appeal; but with this difference, that in the meantime Italy has made large military preparations, on the pretext of alleged concentrations of Ethiopian troops which have never actually taken place, an alleged attack on her post at Afdub which was really an Italian attack on the post at Guerlogubi on January 29th, 1935—an incident which demonstrates once more the aggressive intentions of the Italian troops—and an alleged but purely imaginary attempt by Ethiopian troops to surround the Afdub post on February 2nd, whereas, in point of fact, that post had been abandoned by its Italian garrison on January 29th, 1935.

5. In a note dated March 8th, 1935, the Ethiopian Government made it clear to the Italian Government that it refused to consider any reparation whatever unless an enquiry was conducted and an impartial decision rendered against the Ethiopian Government. The attitude it adopted in this note of March 8th, 1935, is identical with that expressed in its notes of February 20th, 21st, and 27th, in which it demanded the constitution of the Court of Arbitration provided for in Article 5 of the Treaty of August 2nd, 1928—to none of which notes has it been able to obtain any definite reply, either verbally or, still less, in writing. The note of March 8th, 1935, requested a reply as soon as possible stating whether the Italian Government would agree to the principle of a settlement by arbitration or not.

6. In the diplomatic negotiations which have taken place up to the present date, the questions underlying the dispute have been exhaustively discussed.

(a) A full account of the question of the Walwal attack of December 5th, 1934, and the bombardment of Afo and Guerlogubi has been given by the Imperial Government in its memorandum to the League and in its various notes.

(b) The ownership of Walwal and of the area occupied by the Italian troops in the province of Ogaden depends on the interpretation of the Italo-Ethiopian Treaty of May 12th, 1908. In support of this interpretation, the Ethiopian Government has cited the British Staff map, the map published by the Italian Minister for the Colonies, the map incorporated in Carlo Rossetti’s “Storia diplomatica dell’Etiopia”, and the map which appears in Corselli’s “Ferro e Fuoco in Somalia”, which has a preface by General De Bono, formerly Italian Minister for the Colonies and now Governor of Italian East Africa (the new name of the Colonies of Eritrea and Somaliland).

(c) The settlement of the question of reparation and apologies, on which Italy lays chief stress, must necessarily depend on that of questions (a) and (b) above.

Although Ethiopia is absolutely convinced of the justice of her cause in both these questions, she has thought it proper, from the standpoint both of law and of logic, merely to make reservations in the matter, so that she will be able, in due course, to demand the reparation to which she considers herself entitled.

7. The policy adopted by the Italian Government is not to seek a settlement of the questions of the attack of December 5th, 1934, and the ownership of Walwal and the area occupied by its troops in the Ethiopian province of Ogaden, but to avoid any settlement of those questions. Although the presence of tanks and military aircraft and the attitude of Captain Cimmaruta at Walwal between November 23rd and December 5th, 1934, demonstrate the aggressive mentality of its troops, it is content to assert that they were the victims of a handful of Ethiopian soldiers responsible for the protection of an International Commission, and it refuses to agree to any enquiry. Although Italian official documents prove the correctness of Ethiopia’s interpretation of the Treaty of May 12th, 1908, the Italian Government refuses to submit the interpretation of that Treaty to arbitration.
It seeks to obtain, without any enquiry or award:

(a) Apologies from Ethiopia, which would amount to an admission that her soldiers, who were attacked at Walwal, were the aggressors;

(b) Reparation, which would endorse and acknowledge as lawful and regular the unlawful and irregular occupation of a large part of the territory of Ethiopia by Italian troops.

8. Notwithstanding the League Council’s resolution of January 19th, 1935, which charged the parties, in accordance with the undertakings given by them to that effect, to settle the dispute between them by arbitration as provided in Article 5 of the Treaty of August 2nd, 1928, the Italian Government is evading constituting the Court of Arbitration, while not contributing to the discussion any argument capable of affecting the actual circumstances and the legal situation which form the basis of the dispute.

The neutral zone created thanks to the Ethiopian Government’s conciliatory spirit seems for the time being to secure the status quo and the maintenance of peace in the disputed area.

While doing its utmost to delay the constitution of the Court of Arbitration—if not, indeed, to evade any impartial settlement of the dispute—the Italian Government is piling up armaments and munitions and forming large bodies of troops which represent a source of danger to peace.

It is thus attempting to impose its will on the Imperial Government and to secure, first of all by intimidation and soon, by violence, what would never be conceded to it by any impartial body. Ethiopia will yield neither to intimidation nor to violence.

She is resolved to uphold her rights and is confident that the wisdom of the Powers will prevent any resort to war and bring about a pacific settlement.
at 10 a.m. Two Ethiopians killed and two wounded. Italian aircraft are continually flying over
Gherlogubi and tanks are in neighbourhood. Ethiopian Government requests in application of
Article 11 of Covenant that every measure effectually to safeguard peace be taken. — HERUY,
Minister Foreign Affairs.

Appendix 2/19.

NOTE FROM THE ETHIOPIAN MINISTRY FOR FOREIGN TO THE ITALIAN CHARGÉ D’AFFAIRES.

[Translation.]


I have the honour to acknowledge receipt of your note No. 1282/906 of December 28th, 1934.

The Ethiopian Government maintains in their entirety its previous statements regarding
the Walwal, Ado and Gherlogubi incidents, the accuracy of which is confirmed:

(a) By the official reports of its agents;
(b) By the unexploded Italian shells which have been picked up in Ethiopian territory;
(c) By the official records of the International Commission.

As this dispute has been submitted to the League of Nations, it will rest with that high
authority to decide all the questions involved, as regards both the Italian and the Ethiopian
claims.

I have the honour to remind you that, on December 15th last, my Government sent you a
formal protest against the bombing on December 8th by an Italian military aeroplane at Ado,
three days after the fight at Walwal, of the rearguard, including wounded men, which was returning
from Walwal to Haradigit with the baggage of the International Commission.

The same note also protested against the bombing of Gherlogubi on December 9th.

The denial of the bombing of Gherlogubi contained in your note is refuted by our possession
of two unexploded bombs and the splinters of three other bombs which were picked up at Gherlogubi
itself by our garrison immediately after they had been dropped by an Italian military aeroplane
coming from the direction of Ado.

As regards the bombing of wounded men and of the baggage of the International Commission
at Ado, the Ethiopian Government notes that this misdeed is acknowledged in your note. The
assertion that the aeroplane was fired at is clearly based on the unverified reports of your airmen,
for the simple reason that there were no Ethiopian troops between Walwal and Ado. We have
received no report from our officers that the aeroplane was fired at.

The Ethiopian Government notes that the Italian Government, on the sole basis of the
information from its military organs operating in Ethiopian territory, seeks to evade any impartial
enquiry into the Walwal, Ado, Gherlogubi and Afdub incidents.

Under the Treaty of August 2nd, 1928—the general terms of which purely and simply confirm
the detailed provisions of Article 13 of the League Covenant—a preliminary enquiry is required
to establish the truth of the facts constituting the breach of an international obligation and to
fix the responsibility incurred on either side, and if, as a result of the enquiry, the Ethiopian
Government is found to be responsible, it is prepared to satisfy the Italian demands.

Without wishing thereby to prejudge the result of an impartial enquiry, the Ethiopian
Government proposes to base its claims, subject to later amplification and additional particulars,
on the principal facts set forth below:

(a) The Italian military occupation of Ethiopian territory situated a long way from the
frontier, which has not yet been demarcated on the ground but the line of which was fixed by
the 1897 negotiations and confirmed by the 1908 Treaty and is shown on all maps, including
Italian official maps published at a later date;
(b) The fact that members of these Italian troops of occupation obstructed the free
movement, in a district which is well within Ethiopian territory, of a Commission whose
peaceful mission and international composition were known to the Italian Government in
advance;
(c) The fact that they subsequently, without provocation or warning, attacked at
Walwal, with the assistance of tanks and aeroplanes carrying machine-guns and bombs, the
Ethiopian escort responsible for the protection of that Commission, after its members, both
British and Ethiopian, had protested to the Italian Government through an Italian officer
against the obstruction of that Commission’s movements in Ethiopian territory and against
the threatening attitude of the Italian troops and aircraft, and that their only reply to this
protest was the attack on December 5th;
The fact that three days later Italian military aircraft, flying without permission and without any right for a still greater distance over Ethiopian territory, bombarded at Ado the wounded members of the escort and the Commission’s baggage;

The subsequent bombardment of the Ethiopian garrison of Gherlogubi;

Lastly, the fact that the Italian Government has refused to submit the whole of these incidents to arbitration, seeking to lay upon Ethiopia the whole of the responsibility for those incidents and to force her to accept the de facto situation created by this occupation.

As regards the demarcation of the frontier between Ethiopia and Italian Somaliland, I would point out that, in a note addressed to the Italian Minister on December 12th, 1931, to which no specific reply has yet been received on this fundamental question, my Government clearly expressed its desire to proceed to this demarcation at the earliest possible moment.

The Ethiopian Government has not changed its opinion as to the necessity for a speedy and complete demarcation of this frontier, but recent incidents, and the Italian claim that a large part of the Ethiopian province of Ogaden belongs to Italian Somaliland or is under indeterminate sovereignty, render it essential that this demarcation should be effected under the direct supervision of an international authority.

Reverting to the final sentence in Your Excellency’s note concerning our negotiations, I would state that their continuance will in no way affect the procedure initiated before the League Council.

(Signed) Heruy,
Minister for Foreign Affairs.

Appendix 2/20.

Note from the Italian Chargé d’Affaires to the Ministry for Foreign Affairs of Ethiopia.

No 905.

Peace be with you!

I have the honour to confirm that yesterday, at 1.30 p.m., I came to the Ministry and made the following statement to you:

“I am informed that for some days past the Italians in the city have been the objects of hostile acts on the part of Ethiopian subjects. Insults are beginning to be evident. I desire to call Your Excellency’s attention, and that of His Majesty the Emperor, to the dangers that may arise out of the state of mind that is developing, especially since it is being provoked by a publication which bears the portraits of Their Majesties Menelik the Second and Haile Sellassie the First, and which is being circulated in the city.

While reserving judgment on the publication which is being circulated until I am in possession of a translation of the Amharic, I am giving Your Excellency the opportunity to consider, with a view to preventing any incident, however slight, what steps the Ethiopian authorities think it possible to take to protect Italian subjects and institutions.”

I added that I should request an audience of His Majesty the Emperor if I had the impression that the situation above described was growing worse.

(Signed) Mombelli,
Chargé d’Affaires.

Appendix 2/21.

Note from the Ethiopian Government to the Italian Chargé d’Affaires at Addis Ababa.

[Translation.] Addis Ababa, the 25th of Tahsas of the Year of Grace 1927. (January 3rd, 1935.)

Peace be with you!

In reply to your note No. 905 of December 27th, 1934, confirming your verbal statement of December 26th, 1934, I have the honour to inform you that instructions and formal orders have been conveyed to the police of the city to prevent the circulation and publication of any further sheets, and to confiscate the printed sheets to which you refer.

These orders and instructions also require the prevention of any incident between Ethiopians and foreigners.

In conclusion, I desire to state officially that the Imperial Government repudiates the publication complained of, which is the work of an insignificant private individual and does not
express either its own views or those of the general public; and it is firmly resolved to take all possible steps to prevent any incident and to maintain order, which, indeed, has not ceased to reign in the country.

(Signed) Heruy W.,
Minister for Foreign Affairs.

Appendix 2/22.

TELEGRAM FROM THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS TO THE ETHIOPIAN MINISTER FOR FOREIGN AFFAIRS.


Received your telegram third January concerning Gherlogubi incident and requesting in application of Article eleven of the Covenant that every measure effectually to safeguard peace be taken. Am telegraphing your communication to Members Council which meets eleventh January. — Secgen.

Appendix 2/23.

LETTER FROM THE ITALIAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

The question dealt with in the Ethiopian memorandum has already given rise between the two Governments concerned to an exchange of official communications and to direct negotiations which have not up to the present been suspended.

It is in conformity with the spirit of the Covenant and with the tradition of the League of Nations to encourage direct negotiations concerning disputes that may arise between two States Members.

The Royal Government, conscious of its good right and prepared as it is and always has been to seek, in conjunction with the Ethiopian Government, for a satisfactory solution of the question—which for its part it does not regard as likely to affect the peaceful relations between the two countries—considers that the discussion of the Ethiopian request would not facilitate in any way the continuance of the direct negotiations with a view to an understanding.

The settlement of the incident might be advantageously pursued in accordance with Article 5 of the Treaty of 1928 between Italy and Ethiopia, it being understood that, in the interval, all expedient measures will be taken and all useful instructions will be confirmed or given for the avoidance of fresh incidents.

I accordingly request you to be good enough to submit to the members of the Council at a private meeting the proposal to postpone the discussion of the Ethiopian request.

(Signed) AloiSI.

Appendix 2/24.

LETTER FROM THE ETHIOPIAN DELEGATION TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

I have the honour to inform you that the Ethiopian Government, finding that the Italian Government, like itself, is desirous of conciliation and is prepared to pursue the settlement of the question which formed the subject of its request, in accordance with the spirit of the Treaty of Amity of August 2nd, 1928, and with Article 5 of the said Treaty, finding further that the Italian Government is prepared to take all expedient measures and to confirm or give all useful instructions for the avoidance of fresh incidents, agrees to the postponement of the discussion of its request to the next session of the Council.

The Ethiopian Government, like the Italian Government, pledges itself to take all expedient measures and to confirm or give all useful instructions for the avoidance of fresh incidents.

(Signed) P. Teclé-Hawariate.
(Yekatit 9th), I have the honour to inform you of the orders that have been transmitted to the Officer commanding the Ethiopian post at Gherlogubi:

A. To get into touch with the Officer commanding the Italian posts at Warder.

For this purpose he shall request an interview with the said Italian Officer commanding, and shall agree upon a place and time for that interview.

B. To establish, with the Italian Officer commanding, a provisional neutral zone, which should be as wide as possible and shall be marked on the ground so as to prevent contact between our respective troops.

C. In the negotiations with the Italian officer commanding, and for the demarcation of the provisional neutral zone on the ground, the Ethiopian Officer commanding at Gherlogubi shall be assisted by a Belgian officer and a Swedish officer and by Ato Lorenzo Ta'ezaz, all of whom are officials of the Ethiopian Government.

D. The regime of the provisional neutral zone is to be discussed on the spot, and the most important question to be settled is whether it is or is not possible to allow or prohibit access to and the crossing of that zone by tribes wishing to get to the other side for the purpose of watering their cattle, and what conditions should be imposed.

E. The Ethiopian Officer commanding and his colleagues have the right and duty to propose and to take, in agreement with the Italian Officer commanding, such other additional measures as may be necessary to ensure the maintenance of peaceful conditions in the region.

(Signed) HERUY,

Minister for Foreign Affairs.

Appendix 2/32.

Note from the Minister Plenipotentiary of Italy to the Ministry for Foreign Affairs of Ethiopia.

No. 129/85.

[Translated from the Italian.] 1 Addis Ababa, February 18th, 1935 (XIII).

With reference to the statement contained in Your Excellency's note No. 8 to the Royal Chargé d'Affaires, dated January 3rd, 1935, I have the honour to communicate to you the following:

1. A detailed report which has been received in the meantime from the Government of Italian Somaliland, the official records of the examination of armed Ethiopians who came to our lines of their own accord, and other documents in our possession, confirm the responsibility of the Ethiopian chiefs for the Walwal incident.

As regards the alleged bombardment of Ado, I can only confirm the information already communicated to Your Excellency in note No. 1282/906 of December 28th, from the Royal Chargé d'Affaires.

Lastly, the Ethiopian version of the incident which occurred near Afdub on December 28th again does not tally with the information furnished by the Government of Italian Somaliland: the men involved were our liaison patrols between two of our fixed posts in the neighbourhood of Afdub, who, when they were fired at, returned the fire, but did not engage the Ethiopian troops. In any case, the incident is of no special importance, and does not differ from other incidents that have previously occurred in those parts.

2. As regards the presence of our garrison at Walwal (point 3, A, of Your Excellency's note), the Royal Legation has already expressed the Government's views in previous notes—i.e., that its presence there is lawful and in accordance with the existing treaties, under which Walwal belongs to Italian Somaliland.

3. The observations under B of point 3 of Your Excellency's note are based on an erroneous opinion of the Ethiopian Government as to the ownership of the Walwal wells. As those wells are situated in Italian Somaliland, our command could not allow armed Ethiopians to enter Italian territory.

4. The assertion under C of point 3 of Your Excellency's note that the only form in which our Walwal garrison replied to the Anglo-Ethiopian Commission's protest was "by the attack on December 5th" is completely at variance with the facts, since Captain Cimmaruta not only replied to the Commission's protest in writing, but personally visited the latter's camp in order to clear up the matter.

This is proved by the Commission's own report dated Ado, November 30th, 1934, which also shows that after the Commission's departure Captain Cimmaruta made various proposals to the Ethiopian chiefs with a view to preventing possible incidents. Those proposals, as is specifically stated in the above-mentioned report, were rejected on various pretexts by the Ethiopian commanding officer, whose forces steadily augmented until December 5th, the day on which our garrison was attacked.

5. Moreover, as regards the question of the delimitation of the boundary between Ethiopia and Italian Somaliland, the statement contained in point 4 of Your Excellency's note is completely

1 The Italian text of this document is in the archives of the Secretariat.
refuted by the declarations which I had the honour to make on several occasions to His Majesty the Emperor and to Your Excellency, to the effect that the Royal Government was prepared to delimit the boundary between Ethiopia and Somaliland. To be precise, as the outcome of my conversations with Your Excellency on May 30th, 1934, and in particular on August 4th, 1934, and, as I had the honour to state on August 10th, 1934, at an audience which His Majesty the Emperor was good enough to grant me, it was agreed by mutual consent that the two Governments should first proceed, each for its own account, to study the question, and that the experts of the two parties should then meet at Addis Ababa to define the frontier on the maps before proceeding to the spot. The Royal Government has carried out the necessary investigations, which are now completed. The demarcation of the boundary on the ground can only be carried out, in accordance with the provisions of the existing treaties, by a special commission consisting of delegates of the two Governments concerned.

6. With reference to the last sentence in the Ethiopian note confirming that the appeal to Geneva does not preclude direct negotiations between the two Governments, I have the honour to inform Your Excellency that I shall revert to this matter as soon as I have received instructions from the Royal Ministry for Foreign Affairs.

(Signed) VINCI,
Minister Plenipotentiary.

Appendix 2/33.

NOTE FROM THE MINISTER PLENIPOTENTIARY OF ITALY TO THE MINISTRY FOR FOREIGN AFFAIRS OF ETHIOPIA

No. 130/86.

[Translated from the Italian.] 1

Addis Ababa, February 18th, 1395 (XIII).

With reference to note No. 12 of February 17th, I have the honour to confirm, subject to the decisions of the Royal Government, that at our interview on February 16th I informed the Director-General of the Ethiopian Ministry for Foreign Affairs and Your Excellency that I did not accept points C, D and E of the proposed instructions to the Ethiopian Officer commanding the post of Gherlogubi.

I leave to the Ethiopian Government the responsibility for sending instructions which have not been jointly agreed upon and delaying the execution of a proposal which I submitted on behalf of the Royal Government as far back as February 7th last.

(Signed) VINCI,
Minister Plenipotentiary.

Appendix 2/34.

NOTE FROM THE ETHIOPIAN GOVERNMENT TO HIS EXCELLENCY COUNT VINCI, MINISTER PLENIPOTENTIARY OF ITALY.


Peace be with you!

I have the honour to communicate to Your Excellency the following:

1. In its note of December 9th, 1934, the Imperial Ethiopian Government invoked the provisions of Article 5 of the Treaty of August 2nd, 1928. The note of December 11th, 1934, from the Italian Chargé d'Affaires ignored this proposal and introduced a new element into the discussion by making claims as a result of which the matter was brought before the Council of the League of Nations.

2. The League Council's resolution of January 19th, 1935, in accordance with the contents of the letter from the Italian delegation of that same date, took note of the conciliatory spirit shown by the parties and proposed that the incident should be settled in conformity with the spirit of the Treaty of Amity of August 2nd, 1928, and with Article 5 of that Treaty.

3. Since then, in conformity with the League Council's resolution, the previous instructions to avoid any further incident have been confirmed, supplemented and amplified by the orders given to the Officer commanding the post of Gherlogubi, as shown by my communication dated February 17th, 1935.

1 The Italian text of this document is in the archives of the Secretariat.
4. The claims made by both parties as a result of the Walwal incidents, which occurred as long ago as November 23rd, 1934, must now, therefore, in accordance with the spirit of the Treaty of August 2nd, 1928, lead to the constitution of the Commission provided for in Article 5 of that Treaty, as interpreted by the exchange of notes of August 3rd and 4th, 1928, and the Commission's first task will be conciliation.

I hope Your Excellency will be good enough to inform me at the earliest possible date of the Italian Government's agreement to the foregoing.

Appendix 2/35.

Note from the Ethiopian Government to His Excellency Count Vinci, Minister Plenipotentiary of Italy.

[Translation.] Addis Ababa, Yekatit 14th, 1927 (February 21st, 1935)

Peace be with you!

I have the honour to acknowledge receipt of your note No. 129/85 of February 18th, 1935, in reply to my note of January 3rd, 1935, to the Italian Chargé d'Affaires.

The Imperial Ethiopian Government maintains and confirms in their entirety the statements contained in its above-mentioned note of January 3rd, 1935, and would point out:

(1) That, at 10 a.m. on December 28th, 1934, an Italian attack was launched against the post of Gherlogubi (and not at Afdub), during which two Ethiopian soldiers were killed and two others wounded (3rd paragraph, section 1 of Your Excellency's note);

(2) That the Italian official maps themselves place Walwal in Ethiopian territory (points 2 and 3 of Your Excellency's note);

(3) That, on December 5th, 1934, the Anglo-Ethiopian Commission, which had withdrawn to Ado on the morning of November 25th, was still awaiting the Italian Government's reply to the joint letter of protest dated November 23rd, 1934, from the British and Ethiopian Commissioners, as shown by the letter from Colonel Clifford to Captain Cimmaruta of November 24th, 1934;

(4) That my note of December 12th, 1931, remained unanswered for nearly three years, until the negotiations referred to in Your Excellency's note.

The Ethiopian version and the Italian version of the incidents which have occurred since November 23rd last in the Province of Ogaden, and the interpretation of the texts and documents produced by our two Governments respectively, are so completely at variance that our direct negotiations would gain in clearness and would lead more rapidly to the equitable solution of the present dispute if they were confined to the institution of the procedure of conciliation and arbitration provided for in Article 5 of the 1928 Treaty.

(Signed) Heruy,
Minister for Foreign Affairs.

Appendix 2/38.

Note from the Ethiopian Government to His Excellency Count Vinci, Minister Plenipotentiary of Italy.

[Translation.] Addis Ababa, Yekatit 20th, 1927 (February 27th, 1935).

No. 16.

Peace be with you!

I have the honour to acknowledge receipt of your note No. 194/121 of February 25th, which was handed to me yesterday, February 26th, 1935.

I note that Your Excellency's communication announces the re-occupation by the Italian troops of the Afdub post and requests that the neutral zone be established, not on the basis of the points occupied on January 29th last, but on those occupied prior to that date.

The median line of the provisional neutral zone will, therefore, have to be shifted so as to run from a point situated between Afdub and Gherlogubi to a point between Ado and Walwal. Additional instructions to this effect have been given to the Officer commanding at Gherlogubi.

As regards the complaint brought against the Ethiopian Government regarding the delay in establishing a neutral zone, I confine myself to reminding Your Excellency that the Officer...
At the outset, the Yugoslav Government feels bound to observe that, so far from being a report on the enquiry conducted and the disciplinary action taken by the Hungarian Government in accordance with the Council’s resolution, that Government’s communication of January 12th, 1935, is really a retrospective criticism of the resolution in question. Certain assertions in the Hungarian Government’s communication are flagrantly contradictory to the text of the Council’s resolution. For instance, the resolution says: “Being of opinion, as the result of these discussions and documents, that certain Hungarian authorities may have assumed, at any rate through negligence, certain responsibilities relative to acts having a connection with the preparation of the crime of Marseilles”; whereas the Hungarian Government states, on page 2 of its communication, that “the accusation made in the Yugoslav memorandum to the effect that the Hungarian authorities had incurred responsibility in regard to the Marseilles outrage is absolutely untenable”, and that, “even in the light of the results of the investigation instituted in accordance with the Council resolution of December 10th and since completed, the Hungarian Government maintains in their entirety the conclusions contained in the Hungarian memorandum of December 8th”. Again, in connection with the terrorist activities carried on against Yugoslavia from Hungarian territory prior to the Marseilles outrage, the Council resolution says: “Noting that, as the result of the discussions which have taken place before the Council and of the documents which have been communicated to it, in particular the diplomatic correspondence exchanged between the Hungarian and Yugoslav Governments from 1931 to 1934, various questions relative to the existence or the activities outside Yugoslav territory of terrorist elements have not been settled in a manner which has given satisfaction to the Yugoslav Government”. The Hungarian Government, however, reverts to this question, and does not hesitate to maintain that “the two cases quoted by the Yugoslav Minister for Foreign Affairs from that correspondence “bear witness, in point of fact, to the very scrupulous care with which the Hungarian Government examined the cases brought to its knowledge and dealt with the representations referring to those cases”; while later it observes that “it is clear then, from the foregoing considerations, that there is no foundation for the statement that all the Yugoslav diplomatic representations produced no result or for the further statement, made by M. Yevtitch in his speech of December 7th, that the Hungarian Government met them with an undoubted lack of goodwill.”

The Council resolution of December 10th was passed after a long discussion in the course of which all the facts and all the documents to which the Hungarian Government now revert were produced by the parties and considered by the Council. The resolution, which was accepted by the Hungarian Government itself, constitutes a conclusion to that discussion, and finally settles the questions which were discussed. The matter is thus res judicata, and the Hungarian Government is in a very poor position to dispute, under cover of a report upon its investigation, the essential points of a resolution which it formally accepted. If a Government could repudiate its vote and dispute the validity of a resolution which it had itself accepted, the decisions of international bodies, whose function it is to settle differences between States, would cease to have any authority or raison d’être.

The Yugoslav Government has no intention whatever of going into the Hungarian Government’s arguments. It will therefore refrain from reopening the debates that have already taken place in the Council, despite all the inaccurate and improbable statements that the Hungarian reply contains. In its view, all that is required at the present stage of the proceedings is to decide whether the Hungarian Government has satisfactorily acquitted itself of the duties incumbent upon it in virtue of the Council resolution. The Yugoslav Government proposes to discuss the Hungarian communication solely from the standpoint of the execution of that resolution. In the eyes of the Yugoslav Government and Yugoslav public opinion, the resolution of December 10th is but a bare minimum of satisfaction which the Government accepted out of a spirit of moderation and a desire to ease the Council’s task. For that very reason, however, the Yugoslav Government is entitled to demand that the essential points of the Council resolution be fully and faithfully carried out.

In what way should they have been carried out? The resolution of December 10th is perfectly clear and leaves no doubt upon the point. It observes, in a general way, that certain Hungarian authorities may have assumed, at any rate through negligence, certain responsibilities relative to acts having a connection with the preparation of the crime of Marseilles. The Hungarian
Government's investigation could not be in any way concerned with the existence of any such responsibility, inasmuch as the latter was established by the Council's resolution. All that the Hungarian Government was required to do was to bring that responsibility home—to ascertain the identity of the Hungarian authorities who had individually rendered themselves liable to censure on account of acts having a connection with the preparation of the crime of Marseilles, and to take at once appropriate punitive action in the case of any of its authorities whose culpability might be established. Accordingly, the Hungarian Government's communication should have been nothing more than a report stating that certain Hungarian authorities had been found to be guilty and what punitive action had been taken against them.

As to the question of the conditions in which the Yugoslav Government's demands in regard to the terrorist action conducted from Hungarian territory have been met, the Yugoslav Government considers that it was finally settled by the Council's resolution, and therefore does not desire to reopen any discussion on the subject. As an instance, however, of the line of argument pursued in the Hungarian communication, it would like to call attention to the question of the verbal representations made by the Hungarian Minister at Belgrade to the Yugoslav Ministry of Foreign Affairs on February 17th, 1931. The Yugoslav Government seems to attach great weight to those representations, which, in its view, should be taken as evidence that the Yugoslav Government was not prepared to furnish the Hungarian Government with the necessary data for an investigation in its territory, and that it was the Yugoslav Government that was responsible for the delay in the examination of its own demands. The version given of those representations in Annex 35 to the Hungarian communication is, however, diametrically opposed to the conclusions which the Hungarian Government seeks to draw from the Yugoslav Government's attitude in that connection.

According to the Annex in question, the Yugoslav Government's reply was received ten days after the representations were made by the Hungarian Minister at Belgrade. Consequently, this sentence in Annex 35 to the Hungarian Government's communication—"Notwithstanding the assertions of the Secretary-General of the Yugoslav Ministry for Foreign Affairs, the Yugoslav Minister in Budapest did not approach the Hungarian Government until February 24th, 1931"—is an improper one, inasmuch as its wording suggests a misconstruction of the actual sequence of events. As regards the communication made by the Yugoslav Minister at Budapest, the telegram in which he informed his Government of the action he had taken gives a very different version of it from that which is to be found in the Hungarian communication. The translation of the original text of that telegram—Annex 8 to the Yugoslav Government's communication of November 28th (Official Journal, December 1934, page 1807)—reads as follows:

"With reference to your letter P. No. 3482. This afternoon I called on the Minister for Foreign Affairs and made representations to him in view of the result of the enquiry into the outrages, communicated to me in the above-mentioned letter. I earnestly drew his attention to the harmful consequences from the point of view of our friendly relations which would ensue were the organisation of attacks against our State on Hungarian territory and the complicity of certain Government organs in this matter to be tolerated in future. I further informed him that we hoped that the Hungarian Government would put a stop to them."

Lastly, it must be pointed out that the Hungarian Government's communication is not merely an attempt to weaken the Council resolution, but also again digresses into the field of Yugoslav domestic politics. The Yugoslav Government absolutely denies that the Hungarian Government has any right to interfere in Yugoslavia's domestic affairs, such interference being incompatible with the fundamental provisions of the Covenant of the League. It is obliged to reiterate what S. Yevtvich, Minister for Foreign Affairs, said at the Council meeting on December 10th, 1934:

"I formally protest against such an abuse of freedom of discussion before the Council, as being contrary to the fundamental principles of international law. I may add, further, that it is certainly not by this means that the Hungarian Government can assist in restoring a calmer atmosphere and thus make possible the gradual resumption of normal relations between the two countries."

II. REMARKS ON THE METHODS EMPLOYED BY THE HUNGARIAN GOVERNMENT IN ITS INVESTIGATION.

The Hungarian authorities began by questioning a number of officials who, probably owing to the areas in which they served, were thought to be possibly responsible for the proceedings of the terrorists. The guilt of those officials ought therefore to be plain from their own evidence, inasmuch as they were cited as witnesses in their own defence. It is really difficult to imagine, on the face of it, that an official's love of truth will take him so far as to accuse himself of having failed in his duty and being in any way implicated in the terrorist action; especially as, while accusing himself, he would have been contradicting the official case of the Government by which he was employed. The same may be said of the investigators themselves; their instructions were certainly not to bring to light facts which had been denied in advance by their Government, and so to put that Government in an awkward position. Such being the case, it is hardly surprising if the investigation turned into a categorical denial of plain facts, in the course of which too zealous witnesses went so far as to deny
Nevertheless, apart from the very definite information given on this point before the Yugoslav courts by the terrorists who were arrested, it is difficult to assume that individuals engaged in the espionage service and paid for this work should have engaged in terrorist activities on their own account without any instructions from their chief.

The second part of Lieut.-Colonel Klàr’s statement concerns the foundation of the camp at Janka Puszta and its winding-up. This is what he says on this point:

“This was in 1930. At this time, owing to the persecution of the Serbian authorities, the number of political émigrés taking refuge abroad and in Hungary was increasing.

“These émigrés were scattered over the whole country and it was very difficult to supervise them. To facilitate their supervision and to give them occupation, they were collected in a farm rented by one of them at Janka Puszta, near Nagy Kaniszsa.”

This contradicts in the most definite manner the official version of the other Hungarian authorities. Lieut.-Colonel Klàr (the man specially appointed to deal with Janka Puszta, since he says himself at the end of his statement that his duties terminated after the winding-up of that camp) says that the terrorist émigrés were concentrated at Janka Puszta for the definite purpose of facilitating their supervision. He also admits that he was responsible for the supervision of the inhabitants of Janka Puszta and that, in the discharge of this duty, he went there two or three times. Another Hungarian officer, whom we have already quoted—Captain István Marton—also says that he went to Janka Puszta for the definite purpose of seeing if the émigrés were really engaged in agriculture. How can all this be reconciled with the penalties inflicted on the three gendarmerie officers for not having reported the presence of the Yugoslav émigrés at Janka Puszta to their superiors? But if this concentration of individuals engaged in spying and terrorism, according to the Colonel’s evidence, was effected in order to make it easier for the Hungarian authorities to supervise them, how is this version to be reconciled with the version of a farm under a private lease concluded with a view to agricultural activities? How, too, can we accept, as the Hungarian Government’s communication would have us do, the responsibility of certain subordinate officials for having failed in their duty to watch the émigrés at Janka Puszta, when the purpose of the latter’s establishment in this camp was precisely to render their supervision more effective?

In order to give a still clearer idea of this private lease under which Janka Puszta was held, we may quote a few passages from the evidence of Colonel Ivan Perčević. This is how he explains the purpose of his third visit to the “farmer” Gustav Perćec:

“At the end of October or the beginning of November, I visited Janka Puszta for the third time. I went there to advise Perćeć to withdraw from Janka Puszta, since Jelka Pogorelec’s publications had made his position untenable. I did not speak to him as a superior, as I did not belong to the organisation; I confined myself to advising him as a friend who had known him since the war.”

This is a somewhat singular “private farmer” whose situation had become untenable owing to the publication of a pamphlet by his former mistress and who had to leave his estate for the same reason. And what are we to think of this farmer who awaits the orders of his superiors to leave his farm?

At his fourth visit, Colonel Perčević states that he found at Janka Puszta “Perćeć’s successor, whom everyone dignified with the title of Captain”, whose name he did not know, but whom he had met on a previous occasion in the company of Pavelić, chief of the terrorist organisation. How is it still possible to maintain the fiction of a private lease, during which a farmer who disappeared without leaving a trace was succeeded by another “farmer” whose name was not known, but who was called “captain” by his agricultural labourers?

In the last part of his evidence, Lieut.-Colonel Klàr explains as follows the reasons which led to the winding-up of the Janka Puszta camp: “After a time, disturbances broke out among these heterogeneous elements living at the Puszta, and to prevent these disputes from becoming more serious it was decided to wind up this colony completely”. This is an explanation very different from that given by the Hungarian Government in its note of April 26th, 1934 (Annex 30 to the Yugoslav memorandum of November 28th, 1934):

“If the Hungarian Government has taken action, in spite of the considerable difficulties in the way of such Government intervention in matters of private law, it has done so solely out of consideration for the Yugoslav Government, on the ground that the presence of refugees, etc., in the neighbourhood of the frontier was felt by the Hungarian Government to be unduly exciting Yugoslav public opinion and the Yugoslav Press.”

Two questions arise in connection with this winding-up. The disciplinary sentence punishing the gendarmerie cadet John Czinka gives, inter alia, as a reason for his conviction the fact that he failed “to report the incident when the Yugoslavs at Janka Puszta refused to continue to work, so that he was obliged at the request of the farmer to send a patrol to this Puszta”. This superior officer Alexander Deseô stated in the course of his examination that he knew nothing of this incident, adding: “the case was probably of no importance, since it was not reported to me, nor did I report it to my superiors. Having had no knowledge of the case, I took no interest in the matter”. How, then, did the Hungarian authorities learn of the existence of such serious disturbances, which led them to dissolve the camp at Janka Puszta?
Secondly, it must be remembered that the Hungarian authorities can no longer plead ignorance on the part of the local officials concerning the existence of the terrorists and their arrival at Nagy-Kanizsa. Their transfer from Janka Puszta was effected in execution of a Hungarian police measure; the least that can be said then is that they were suspect foreigners. Further, by its note of April 26th, 1934, by the declaration of the Hungarian representative on June 4th, 1934, before the Council of the League of Nations and by the agreement concluded on July 21st, 1934, at Belgrade, the Hungarian Government had assumed definite undertakings regarding supervision over the terrorists. But the result of these various promises given by the Hungarian Government was that the terrorist émigrés who had come to Nagy-Kanizsa, according to the evidence of the Hungarian authorities themselves, were not required to comply with even the simplest formalities applicable to foreigners whose conduct is irreproachable. Police supervision was so entirely non-existent that the investigators found it necessary to go and interrogate the Director and Vice-President of the People’s Savings Bank, who let the house inhabited by the terrorists on behalf of the said bank, in order to ascertain the number and identity of the persons living there. In view of these facts, it is absolutely impossible to regard the mere negligence of a single official as an adequate explanation of what had occurred.

The question raised in the foregoing chapter applies again here with even greater force. Had the Nagy-Kanizsa police received the necessary instructions concerning supervision over the émigrés, in execution of the international undertakings entered into by the Hungarian Government? If those instructions were given, were they given exclusively to Police Captain Gajdán, or were they given also to other persons? It must be remembered further that, according to the existing Hungarian legislative provisions, the authorities of first instance are subject to permanent supervision by the competent central authorities for the supervision of foreigners (see Annex 13 of the Hungarian reply: “Moreover, the Central Office for the Supervision of Foreigners, which is, in fact, Section VIII (b) of the Ministry of the Interior, exercises general supervision over the frontier authorities and other authorities of first instance. It keeps constant watch over these authorities and issues the necessary instructions for searches and enquiries on the spot. It may even take decisions on questions of principle”). Consequently, it was the duty of the central authorities, not only to give orders concerning the émigrés, but also to supervise the execution of those orders by the authorities of first instance.

The conclusion which must be drawn from the foregoing is as follows: either the central authorities omitted to give the Nagy-Kanizsa local authorities the necessary instructions, in which case their responsibility is seriously involved; or the local authorities, notwithstanding definite instructions, refused to take even the ordinary measures of supervision over the émigrés, in which case their dereliction of duty, in view of its gravity, cannot be regarded as mere negligence.

4. Passports issued by the Hungarian authorities to the terrorists.

The explanations given on the subject by the Hungarian authorities are very involved and in certain places are even incomprehensible.

(a) As regards the issue of identity and travelling documents, the Hungarian Government refers to the recommendations of the Second Committee of the Communications and Transit Conference of September 2nd, 1927. It may be noted in this connection that the recommendations in question authorise the issue of the above-mentioned papers to persons without nationality or of doubtful nationality. These circumstances, however, did not apply to any one of the persons to whom the Hungarian authorities issued identity and travelling documents, since the persons in question are of Yugoslav nationality.

(b) The Hungarian experts’ reports allude to the possibility of complete or partial forgery of the passports without, however, daring to make any categorical statement in the matter. The Hungarian police expert’s report (Annex 28) contains theories in regard to forgery which might have been taken from a detective novel. Instead, however, of losing themselves in more or less rash conjectures and referring to the imperfection of the photographs for the purposes of a more conclusive expert opinion, it would have been far simpler for the Hungarian authorities to ask for an expert opinion on the originals of the passports in the hands of the Yugoslav police and of the various other foreign police authorities, a request which would certainly not have been refused. The Hungarian police did not do so, and, as it has added no proof in support of the theory of forgery and as the other police authorities have made no statement in the matter, this theory must be rejected.

It should further be observed that, as soon as the false Czechoslovak passports seized upon the assassins had come into their hands, the Czechoslovak consular officials immediately established beyond all possibility of doubt that the passports were forgeries. The explanations given in their report (Annex 29) are as follows:

“... But fundamentally false. In order to achieve this strange combination, the bearers of the passports on the basis of falsified documents, and subsequently a series of thefts and substitutions so as to obliterate the traces of their fraudulent action. The report comments on the matter as follows:

The fact that the passports of Peric and Artukovic bear registry numbers belonging to the files of other persons and concerning different dates leads to the conclusion that the unknown authors of the forgery, when filling in the printed application forms, changed these numbers in such a manner that those forms, if they have not been stolen, are to be found in the archives elsewhere than in their proper places; or if they have been stolen, no trace of them remains either in the archives or in the card index.”
"In these specific cases, the passports may have been obtained fraudulently in the following manner: the applicants submitted false identification and nationality papers, and once they had obtained the passports stole the file, or had it stolen, or by changing the number of the application form caused it to be filed in some place in the archives where it would not be found."

It is, however, clear, even on the assumption that such a series of frauds is possible and probable, that such acts as the theft of files, the substitution of application forms in the archives, etc., could not be committed without the connivance of the officials of the passport service and those in charge of the archives. How is it possible to steal a file in the possession of the administrative authorities from among hundreds of thousands of other similar files, without the complicity of a person well versed in administrative practice? In the last place, it should more particularly be observed that the purpose of the theft and substitution of the file was rather to cover up the responsibility of the issuing authority, as once in possession of his passport the applicant can have given little thought to the file which remained in the archives, as the "fundamentally false" passport was in itself sufficient proof of the fraud practised by its bearer.

(d) But even if all this is accepted, it is impossible to explain why all the terrorists, including those not living in Hungary, showed such persistence in deceiving a single authority—namely, the Budapest Prefecture of Police—especially as with too frequent repetition there would have been a risk of their frauds being discovered. In point of fact, foreign police authorities have hitherto found Hungarian passports—already more than twenty in number—on all the terrorists arrested. Artukovic and Peric have stated that they themselves had no dealings whatsoever with the Prefecture in regard to their passports, which were obtained for them through the terrorist organisation. This, moreover, is clear from the correspondence between the members of the organisation, in which reference is frequently made to passports to be obtained for terrorists requiring them. On the basis of this correspondence, it has also been proved that it was Colonel Perčević who was the chief purveyor of Hungarian passports to the members of the terrorist organisation.

In view of the foregoing, the Yugoslav Government regards the Hungarian authorities' enquiries which explain the issue of such numerous passports to Yugoslav terrorists by certain technical inadequacies and which have resulted in the disciplinary action taken against M. Désiré Zeilmanyi "for carelessness and negligence" as quite insufficient.

In view of the request made by Mr. Eden, Rapporteur, to all the Members of the Council to be good enough to transmit to him their observations concerning the memorandum by which the Hungarian Government communicated to the Council the measures it had taken to give effect to the resolution of the Council of December 10th, 1934, the Yugoslav Government has the honour to communicate the above observations to the Rapporteur in order that he should be in a position to make to the Council such proposals as may seem appropriate.

Appendix 1.

EXTRACT FROM A LETTER DATED FEBRUARY 3RD, 1935, FROM M. E. WEISS, CORRESPONDENT OF THE AVALA AGENCY IN BUDAPEST, TO THE YUGOSLAV MINISTER IN BUDAPEST.

As regards Dr. Hegyi's assertion that he made no reference to émigrés during our meeting at the Astoria Hotel, I must point out that Dr. Hegyi spoke to me at great length on this subject on June 4th, 1934, in the Haugli Café. In his deposition, M. Hegyi has not mentioned this meeting, in spite of the fact that the sole purpose of the questions put to him by the Hungarian police was to clear up the question of arms. In the course of our lunch at the Astoria, however, Dr. Hegyi again raised the question of the arms belonging to the émigrés, stored at his home in Kaposvar. On this occasion, Dr. Hegyi spoke chiefly of the ammunition which the Ustaši had left at his house. He told me that when the Ustaši came to him late one evening for the purpose of leaving arms and ammunition at his house, he said to them: "Why, in the name of Heaven, do you need such a lot of ammunition? You have got enough for a regular war". Whereupon the Ustaši, according to Dr. Hegyi, replied: "You needn't worry about that, Doctor; you do not understand".

(Signed) E. WEISS.

Appendix 2.

EXTRACT FROM THE ARTICLE ON THE KAPÓSVAR TRIAL PUBLISHED ON PAGE XI OF THE PEȘTISZABADNAPUT TIDningen MARCH 15TH, 1934, BY ITS OWN CORRESPONDENT.

Behind us someone was describing what had happened: On their arrival at Kaposvar, the émigrés had left the arms and ammunition which they had brought with them at the house of Dr. Arpad Hegyi, the advocate, as they were aware that the detectives and police were searching all foreigners on account of the excitement which had been caused in the town by the trial and bomb outrage. Gathered together, their arms, which were of different types, constituted a veritable arsenal..."
I certify categorically that this activity only concerned the military intelligence service and had no political character.

This activity lasted without interruption, on the lines indicated above, until, I think, in 1928, a political assassination was committed at Zagreb, and I learnt from the newspapers that persons in my branch were implicated.

I was not named at the time, but the accused stated that they had come to Pécs, where a certain Kovacs was said to have given them instructions. Never having used the name of Kovacs, I thought that the accused had, without my knowledge, had dealings also with other persons during their stay in Hungary.

Later, on the occasion of a fresh political outrage, the Serbian Press asserted that Kovacs and I were one and the same person. This was in 1930. At this time, owing to persecution by the Serbian authorities, the number of political émigrés taking refuge abroad and in Hungary was increasing.

These émigrés were scattered over the whole country, and it was very difficult to supervise them. To facilitate their supervision and to give them occupation, they were collected in a farm rented by one of them at Janka Puszta, near Nagy-Kanizsa. After a time, disturbances broke out among these heterogeneous elements living at the Puszta, and to prevent these disputes from becoming more serious, it was decided to wind up this colony completely.

In reply to a question, I wish to state that I was responsible for the supervision of the inhabitants of the Puszta from the point of view of counter-espionage, and in the discharge of this duty I went two or three times to Janka Puszta.

2. If so, with whom and when? What was the object of this contact and what was its extent?

Referring to my statement under No. 1, I had dealings with many people living in Yugoslavia, among whom there were naturally several émigrés. Owing to the nature of the intelligence service, the persons engaged in this service are not anxious, if only from the point of view of their personal safety, to pass under their own names. I was perfectly aware that the persons offering me their services used false names, but I had no reason to seek to ascertain their real names. I am therefore unable to give any names.

In reply to a question, I wish to state that in view of the nature of my mission, I never took any notes.

3. To what circumstances do you attribute the fact that your name appeared in the Yugoslav Press and that you were personally suspected without reason?

See my reply to No. 1.

4. Is your deposition correct, and have you anything to add?

My deposition is correct.

I desire to add that, after the winding-up mentioned under No. 1, my work ceased, and I no longer had anything to do with the matter. I further wish to point out that the accusation that I trained Yugoslav émigrés either here, in Hungary or elsewhere is entirely false and devoid of foundation.

This official record was closed and signed after being read over:

KLÁR (the witness);
VOGT;
SZOMBATHELYI;
UTASSY;
SZURMAY.

Appendix 5.

[Translation.]

COMMANDER-IN-CHIEF OF THE ROYAL HUNGARIAN HONVÉD.

OFFICIAL RECORD.

Drawn up at Budapest in the office of the Commander-in-Chief of the Honvéd (Disz térer 17, mezzanine 4), in the presence of the Committee appointed by His Excellency the Commander-in-Chief of the Honvéd, on November 30th, 1934, in regard to the news published in the Yugoslav Press concerning:

Captain Istvan MARTON.
Present, in addition to the above-named:

Waldemar Vogt;
Vitez Szombathelyi;
Szurmay;
Lorand Utassy.

1. Was the captain in contact, directly or indirectly, with the Croat émigrés in Hungary?

In my capacity as officer responsible for supervising journeys to the frontier at Nagy-Kanizsa, I have, in the course of my duties, met Croat émigrés.

2. If so, with whom and when? What was the object of this contact and what was its extent?

In the discharge of my counter-espionage duties, I went once, in the autumn of 1930, to Janka Puszta, in order to ascertain whether the émigrés there were really engaged in agricultural work. On that occasion, I spoke to the farmer named Emile Horváth, who introduced me to his niece named Jelka. Having ascertained that agricultural work was really being carried on at the Puszta, I received no instructions to repeat the inspection and I never afterwards returned to Janka Puszta.

Apart from this single visit, I have never been in contact with the émigrés.

3. If you were not in contact, to what circumstances do you attribute the fact that your name appeared in the Yugoslav Press and that you were personally suspected without reason?

I cannot explain this except on the supposition that the woman named Jelka at Janka Puszta is identical with Jelka Pogorelec and that, having learned my name when I was introduced to her, she used it later for propaganda purposes. Moreover, my name might have been known to the Yugoslav authorities in consequence of my duties connected with the supervision of journeys to the frontier.

4. Is your deposition correct and have you anything to add?

My deposition is correct.

To supplement it, I further state that I was only once at Janka Puszta in the circumstances described, that I do not know a single word of the Croat language and that any accusation to the effect that I have given military instruction there or anywhere else is entirely false.

This official record was closed and signed after being read over.

Marton (the witness);
Vogt;
Szombathelyi;
Utassy;
Szurmay.
I. AUTRICHE.

Le Comité financier a examiné la situation financière de l’Autriche, avec le Dr Buresch, ministre fédéral des Finances, et le Dr Kienböck, président de la Banque nationale d’Autriche, qu’assistaient le Dr Gruber et le Dr Rizzi, du Ministère des Finances. Il a également entendu M. Rost van Tonningen, représentant de la Société des Nations en Autriche, et M. Maurice Frère, conseiller auprès de la Banque nationale d’Autriche.

Le Comité était saisi du quatorzième rapport trimestriel de M. Rost van Tonningen.

1. Le Comité a constaté avec satisfaction qu’en dépit de la crise économique qui sévit actuellement dans de nombreux pays d’Europe, l’Autriche a été en mesure de maintenir, d’une manière générale, le degré d’amélioration qu’elle avait obtenu au cours des derniers dix-huit mois.

2. La situation budgétaire a évolué durant les quatre derniers mois d’une manière conforme aux prévisions et les recettes de l’Etat sont légèrement supérieures à celles de la période correspondante de l’année antérieure. D’autre part, des dépenses additionnelles ont été encourues. Néanmoins, le déficit du budget ordinaire, pour les quatre premiers mois, a pu être limité à 46 millions, contre un déficit de 65 millions pour les mois correspondants de l’année dernière. Les quatre premiers mois sont en général les plus difficiles de l’exercice financier, mais tous les efforts doivent maintenant être faits pour maintenir les dépenses à un chiffre aussi bas que possible, de manière à ne pas dépasser le déficit total de 53 millions de schillings prévu et qui est couvert en majeure partie par des recettes extraordinaires.

3. Dans son dernier rapport, le Comité financier avait fait mention de l’intention du Gouvernement autrichien d’émettre un emprunt intérieur de 100 millions de schillings pour l’exécution de travaux publics et pour la consolidation d’une partie de la dette flottante. Par la suite, le Gouvernement a estimé qu’en raison de l’existence de capitaux disponibles sur le marché autrichien, il pourrait procéder à des consolidations plus importantes que celles qui avaient été prévues au début. En conséquence, après consultation du Président du Comité des Etats garants, le montant de l’emprunt a été porté à 175 millions de schillings, au nominal, avec un produit net d’environ 150 millions de schillings, sur lequel 66 millions seront affectés au financement de travaux publics et le reste à la consolidation de bons du Trésor. Le Comité approuve ce programme et souhaite au Gouvernement autrichien de réussir pleinement dans une opération qui renforcera considérablement la situation du Trésor.

4. Les chemins de fer autrichiens, pendant le premier trimestre de l’année, ont enregistré une légère diminution des recettes, mais ils ont été en mesure de faire face à la situation en poursuivant leurs efforts en vue de réaliser de nouvelles économies dans tous les services.

5. La stabilité du schilling a été maintenue, les réserves d’or et de devises de la Banque nationale ont subi un nouvel accroissement et le taux d’escompte a été réduit. Les taux d’intérêt pour les dépôts en banque et le taux des avances ont été également abaissés. Le Comité espère que la politique de réduction du loyer de l’argent sera poursuivie.

6. Le Comité financier désire attirer l’attention sur les efforts déployés par le Gouvernement autrichien pour faire face aux difficultés du commerce international. Il espère que, partout où cela sera possible, seront secondés les efforts du Gouvernement pour maintenir et développer le commerce extérieur du pays.

II. BULGARIE.


Il a pris connaissance du trente-quatrième rapport du Commissaire de la Société des Nations, d’un exposé de la situation financière de la Bulgarie, présenté par le ministre des Finances bulgare et d’un exposé de la situation de la Dette publique, par le directeur général de la Dette publique bulgare.

1. Les chiffres publiés pour le budget de neuf mois de l’exercice 1934 font ressortir un déficit de 250 millions de leva. Toutefois, le déficit réel atteint certainement un chiffre beaucoup plus élevé, étant donné la présence de 82 millions de mandats impayés, les retards dans la comptabilité et l’exclusion de divers fonds qui ne sont pas mentionnés dans les résultats budgétaires. Le compte de caisse de la Trésorerie dégage un déficit de 820 millions, chiffre qui ne représente peut-être pas encore le déficit total.
2. Le budget global de 1935, promulgué en avril, est présenté équilibré en recettes et en dépenses avec un total de 7,149,9 millions de leva. Il montre en comparaison avec le budget 1934, calculé sur une base annuelle, une augmentation de 978,1 millions sur les recouvrements de recettes ordinaires et une augmentation de dépenses sur crédits ordinaires de 946 millions.

Ce budget supporte certaines charges nouvelles résultant notamment de l'exécution de l'accord de compensation germano-tchéco-autro-hungaro-bulgare et de la loi sur l'allègement des débiteurs.

Tant comptable de la recommandation formulée par le Comité financier dans sa session de janvier 1933, le ministre des Finances a mis à la charge des chemins de fer et de la ville de Sofia la valeur des livraisons qui leur incombent.

3. Les prévisions de recettes apparaissent au Comité très optimistes. La recherche de ressources nouvelles est rendue difficile par la réduction actuelle de la capacité contributive du pays. L'amélioration de l'assiette et de la perception des arriérés, pour désirables qu'elle soit, ne peut se résulter que d'une réorganisation administrative qui ne donnera son plein effet qu'à la longue.

Dans ces conditions, la compression des dépenses devient une nécessité absolue. Le Comité a donc enregistré avec satisfaction les déclarations du Ministre des Finances concernant le contrôle préventif qu'il entend exercer sur l'engagement des dépenses et l'emploi des crédits budgétaires.

4. La Trésorerie a dû faire face à des difficultés particulières au cours des quatre premiers mois de l'exercice. Au 20 avril, les paiements en souffrance s'élevaient à 523 millions, dont 394 millions étaient dus aux fonctionnaires et représentaient un mois et demi d'apports en retard. En outre, le ministre des Finances a indiqué, dans son exposé, que ces chiffres devaient être augmentés, une grande partie des mandats assignés n'ayant pas été délivrés à temps par les sections de contrôle budgétaire.

5. Le Gouvernement bulgare a insisté auprès du Comité financier sur l'urgence qu'il verrait à payer aux fonctionnaires les traitements arriérés, qui représentaient à fin avril un mois et demi de retard et actuellement un mois et demi de retard. Le ministre des Finances demande au Comité financier son consentement pour que la faculté d'émission de bons du Trésor soit autorisée à escompter ainsi que, d'autre part, le montant des bons de la Banque nationale est autorisée à escompter soit augmenté en conséquence, étant entendu que ces bons seraient graduellement remboursés dans un court délai, par un prélèvement spécial sur les recettes budgétaires.

6. Le Gouvernement bulgare a pris l'engagement — dont le Comité prend acte — de rétablir immédiatement le contrôle préventif du ministre des Finances tant sur les engagements de dépenses que sur l'utilisation des crédits qu'il mettra chaque mois à la disposition des départements ministériels.

7. Ce contrôle étant présumé rétabli, le Comité est disposé à admettre la demande d'élèvement des Bons du Trésor et il propose au Conseil d'approuver les arrangements ci-après qui apportent un nouvel amendement à l'article IX du Protocole du 10 mars 1928 :

1° Le montant total des bons que le Trésor est autorisé à émettre sera relevé temporairement de 300 millions de leva et porté au chiffre de 1,400 millions de leva. Ce total sera diminué automatiquement, conformément aux dispositions de l'article précédent, jusqu'à ce que la limite de 1,100 millions de leva soit rétablie au 1er janvier 1937.

2° L'adjonction ci-après sera insérée à l'article 35 des Statuts de la Banque nationale, suivant la procédure prévue pour les amendements auxdits statuts : « La Banque est autorisée à escompter un montant supplémentaire de bons du Trésor s'élevant, au total, à 300 millions de leva, à la condition que ce total soit réduit de 37,5 millions de leva à la fin de chaque période de trois mois à partir du 31 mars 1936, en sorte que la limite sera ramenée à 1,100 millions le 31 décembre 1937. A cet effet, la Banque nationale prêtera, sur les recettes courantes de l'Etat, les sommes nécessaires au remboursement des bons du Trésor à la date où ces bons devront être amortis, sans qu'elle ait besoin à cet effet d'une autorisation spéciale du Ministère des Finances. »

3° Les arriérés de traitement dus aux fonctionnaires de l'Etat seront intégralement payés à l'aide de ces nouvelles facilités de trésorerie.

4° Dès que ces arriérés auront été payés, la disposition de la loi relative au paiement des traitements et des pensions (loi de finances de l'exercice 1933-34, § 82), qui prévoit l'institution d'un fonds d'amortissement spécial pour le règlement de ces arriérés, sera abrogée.

Le Comité propose d'apporter ces modifications à la condition expresse :

1° Que le Commissaire reçoive satisfaction au sujet de l'introduction du contrôle préventif et des budgets mensuels ; et

2° Que le Gouvernement et la Banque nationale observent strictement les autres dispositions de la loi précitée (§ 83), c'est-à-dire qu'ils procèdent au paiement des traitements et des pensions à l'échéance, en réservant à cet effet, chaque semaine, les sommes nécessaires, conformément aux instructions du ministre des Finances, le 11 juillet 1933.

Le Commissaire sera prié de faire un rapport spécial au Comité sur ces questions lors de la prochaine session et de rendre compte ultérieurement du fonctionnement de tout le système.
permettra d’agir sur le niveau général des dépenses d’une manière plus efficace qu’il ne sera jamais possible de le faire avec le système confus et peu logique qui est actuellement appliqué. Aussi le Comité insiste-t-il très vivement pour qu’une telle réforme soit effectuée sans délai.

10. Comme, pour mettre à exécution ces suggestions auxquelles le Comité attache beaucoup d’importance, il sera nécessaire, non seulement de fournir un travail administratif précis, mais encore d’avoir constamment à l’esprit les principes budgétaires, le Comité tient à rappeler, comme il l’a déjà fait plusieurs fois, qu’il y aurait le plus grand intérêt à nommer un chef permanent de la trésorerie, avec le titre et les prérogatives appropriés, qui serait particulièrement chargé de réaliser cette réforme administrative et de veiller constamment à l’observation des principes essentiels de ladite réforme, quelle que soit la nuance politique du ministre du moment. Il ne s’agit pas ici de questions d’ordre politique ou de doctrine économique, mais uniquement de la présentation pratique des comptes financiers du pays, sous une forme simple et convenable.

11. La nécessité de procéder à une compression des dépenses impose plus que jamais une réforme administrative, souvent préconisée par le Comité financier, tendant à l’allègement de certains services publics dont l’organisation paraît trop lourde et complexe pour les ressources économiques et financières du pays.

Il convient de signaler à cet égard que toutes les mesures de réglementation économique ou d’intervention de l’Etat dans la vie économique ne peuvent manquer d’aggraver la lourdeur déjà excessive de l’organisme administratif.

12. En effet, le Comité est amené à constater à nouveau les tendances dangereuses de la politique économique générale poursuivie dans les dernières années en Bulgarie, à laquelle n’a pas encore été apporté le changement d’orientation nécessaire et souhaité à diverses reprises par le Comité.

Dans ses rapports précédents, le Comité a analysé au fur et à mesure qu’ils lui sont apparus les différents aspects de ces tendances et les conséquences nuisibles qui en sont découlées.

Il a ainsi mis en lumière les inconvénients d’une réglementation de la production, du commerce et des prix, qui est devenue toujours plus minutieuse et plus compliquée. La politique de fixation des prix s’est traduite en fait bien souvent par l’octroi d’une série de privilèges à certaines catégories de la population aux dépens de la communauté. Pour atteindre les buts parfois délicats qu’il se proposait de réaliser cette réforme administrative et de veiller constamment à l’observation des principes essentiels de ladite réforme, quelle que soit la nuance politique du ministre du moment. Il ne s’agit pas ici de questions d’ordre politique ou de doctrine économique, mais uniquement de la présentation pratique des comptes financiers du pays, sous une forme simple et convenable.

Le Comité a maintes fois répété qu’il ne veut pas insister particulièrement sur telle ou telle mesure. Il ne méconnaît pas les difficultés avec lesquelles le Gouvernement bulgare est confronté et il peut concevoir que les nécessités de la situation l’ait obligé à tenter de résoudre par des moyens exceptionnels certains problèmes tels que celui de l’endettement privé ou celui de la balance des paiements. Par ailleurs, tous les monopoles envisagés ne sont pas à considérer a priori ; certains sont en effet susceptibles d’apporter du point de vue fiscal des résultats intéressants sans endommager la structure économique du pays. Ainsi, sans vouloir céder à aucun préjugé de doctrine, le Comité est convaincu que l’intervention de l’Etat dans la vie économique a certaines limites au-delà desquelles l’initiative privée, dont l’activité conditionnera, en fin de compte, le moment venu, une amélioration réelle et durable de l’économie générale de la Bulgarie, risque d’être graduellement paralysée.

En conséquence, le Comité espère que les réformes financières dont l’Etat envisage la réalisation s’accompagneront d’une politique économique susceptible de lui faciliter sa tâche.

III. HONGRIE.

Le Comité financier a pris connaissance du quatorzième rapport de son représentant en Hongrie, M. Tyler. Il a examiné la situation financière et économique de la Hongrie avec le concours du représentant du Gouvernement hongrois, le Dr Imredy, président de la Banque nationale de Hongrie, de M. Tyler et de M. Bruce, conseiller auprès de la Banque nationale de Hongrie.

1. La situation budgétaire à la fin des dix premiers mois de l’exercice 1934-35 correspond d’assez près aux estimations et ne fait apparaître aucun changement notable par rapport à celle de la période correspondante du précédent exercice. Les dépenses et les recettes ont augmenté très légèrement, 11/2 % environ, et le déficit reste de même ordre que précédemment. Cette situation des finances publiques pouvait difficilement être améliorée, bien que la diminution du volume de la récolte ait été compensée en partie par une hausse des prix des produits agricoles, par suite de la récolte déficitaire de l’année 1934.
2. Le budget de l'exercice 1935-36, actuellement soumis à l'approbation du Parlement, présente les estimations suivantes, les chiffres du budget de l'exercice en cours étant indiqués à titre de comparaison :

**Administration:**

<table>
<thead>
<tr>
<th></th>
<th>1935-36 (millions de pengô)</th>
<th>1934-35</th>
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</thead>
<tbody>
<tr>
<td>Dépenses</td>
<td>766,5</td>
<td>746,6</td>
</tr>
<tr>
<td>Recettes</td>
<td>748,0</td>
<td>740,6</td>
</tr>
<tr>
<td>Déficit</td>
<td>18,5</td>
<td>6,0</td>
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**Entreprises de l'Etat:**

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<th></th>
<th>1935-36 (millions de pengô)</th>
<th>1934-35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dépenses</td>
<td>409,5</td>
<td>404,0</td>
</tr>
<tr>
<td>Recettes</td>
<td>352,1</td>
<td>343,9</td>
</tr>
<tr>
<td>Déficit</td>
<td>57,3</td>
<td>60,0</td>
</tr>
<tr>
<td>Déficit total</td>
<td>75,8</td>
<td>66,0</td>
</tr>
</tbody>
</table>

Les estimations de dépenses comprennent une dotation correspondant à la couverture intégrale du service de la dette publique. Le Gouvernement envisage, comme précédemment, d'investir en bons du Trésor une certaine partie du service non transféré de la dette publique. Cette transaction procurera la couverture du déficit dans une proportion correspondante, le reliquat de ce déficit devant être couvert par une émission effective sur le marché, qui, vu l'ordre d'importance dont il s'agit, ne devrait pas présenter de difficulté. Cependant, cette transaction aura pour effet d'augmenter la dette flottante intérieure, dont le montant au 31 décembre 1934 s'élevait à 258 millions de pengô.

3. La mauvaise récolte de l'année dernière continue d'être le facteur dominant de l'évolution de la situation économique générale. La diminution importante du trafic des chemins de fer est symptomatique à cet égard, de même que la contraction du volume des exportations depuis près d'une année. Cette contraction atteint presque 36% pendant le premier trimestre de 1935 par rapport au premier trimestre de 1934, quoique, en valeur, les exportations n'aient pas sensiblement varié.

4. Le Gouvernement hongrois et la Banque nationale ont récemment apporté diverses modifications à la réglementation du commerce des changes. La liberté du commerce de l'or a été supprimée et les transactions avec l'extérieur en titres et valeurs ont été soumises à un contrôle strict. Ces modifications ont pour but principal d'accroître les restrictions en ce qui concerne les transferts non commerciaux, mais non pas de réduire les disponibilités utilisables pour les besoins courants du commerce.

IV. SARRE.

1. A la requête du Comité du Conseil chargé des questions de la Sarre, le Comité financier avait nommé un Sous-Comité de trois membres qui s'est tenu à la disposition du Comité du Conseil au cours des réunions tenues à Rome et à Naples en février dernier.


3. Sur la base des renseignements fournis par la Commission de gouvernement du Territoire de la Sarre, et à la suite des enquêtes faites par M. Pospislil, que le Comité du Conseil a appelé aux fonctions de « Referee » prévues à l'article 4 de la résolution, le Comité financier a confirmé la liste des emprunts en question, arrêtée comme suit par son Sous-Comité :

**A. Emprunts communaux :**

2. Stadt Saarbrücken 6% 1927.
3. Stadt Saarbrücken 6% 1928.
5. Völklingen-Fürstenhausen 6% 1929/1933.

D'autre part, dans cette même catégorie, les emprunts suivants ont été éliminés du bénéfice du fonds B, à la demande du Gouvernement français, par suite d'arrangements à leur sujet intervenus entre ce Gouvernement et le Gouvernement allemand :

2. Gemeinnützige Bau u. Siedlungs 9/7% 1929/1933 (nominal: francs 2.000.000).
3. Gemeinnützige Bau u. Siedlungs 9/7% 1929/1933 (nominal: francs 4.000.000).
4. M. Pospisil a informé le Comité financier qu’à la suite d’une demande de certains gouvernements ayant pour objet le paiement ponctuel, ou aussi rapproché que possible, des échéances d’avril de deux emprunts admis au bénéfice du fonds B, il avait, dans l’esprit de l’article 19 de la résolution de Rome, effectué les virements nécessaires aux agents payeurs des emprunts en question, dont la situation juridique était parfaitement claire. L’estampillage prévu à l’article 8 de la résolution de Rome n’ayant pu être exécuté à cette date, M. Pospisil a prescrit auxdits agents payeurs d’exiger une déclaration de résidence des détenteurs de coupons de ces deux emprunts présentés à l’encaissement.

Le Conseil désirera certainement approuver cette initiative, qu’elle a prise dans un souci d’équité ; elle s’inspire d’ailleurs de l’esprit dans lequel se sont déroulées les négociations de Rome à ce sujet entre les Gouvernements français et allemand.

V. ACCORD MOLLOFF-CAPHANDARIS.

1. Par une lettre en date du 5 février 1935, la Banque Nationale Suisse a demandé à être relevée des fonctions de mandataire auxquelles elle a été nommée par le Conseil au titre de l’Accord Molloff-Caphandaris du 9 décembre 1927. La Banque, en effet, n’est plus en mesure d’exercer ces fonctions, par suite de la suspension de paiements prévus audit Accord.

2. Les Gouvernements bulgare et grec, parties à l’Accord, ont été informés de cette situation et des propositions leur ont été soumises en vue de la garde des effets faisant l’objet du mandat de la Banque Nationale Suisse. Le Gouvernement bulgare a accepté ces propositions ; le Gouvernement grec n’a pas encore répondu ; mais le Comité pense que l’on peut, dès à présent, accéder à la demande de la Banque. Il propose donc au Conseil de décider que celle-ci est déchargée de ses fonctions de mandataire. Au surplus, le Comité financier estime que la nomination d’un nouveau mandataire n’est pas nécessaire tant que durera la suspension de paiement.

VI. CHEMINS DE FER ZELTWEB-WOLFSBERG ET UNTERDRAUBURG-WOELLAN.

1. En septembre 1934, le Conseil autorisa le Comité financier à nommer un «Trustee» des Obligataires de la Société des Chemins de fer Zeltweg-Wolfsberg et Unterdrauburg-Woellan, dont les fonctions avaient été prévues dans une sentence du 12 mai 1934 rendue par un Collège arbitral nommé par le Conseil les 26 et 30 mai 1933.

L’article III de cette sentence désignait comme «Trustee» la Banque des Règlements internationaux — qui refusa ces fonctions — ou tout autre organisme qualifié choisi par le Comité financier.

2. Le 10 septembre 1934, le Comité financier nomma auxdites fonctions la Société de Banque Suisse à Bâle, qui accepta cette nomination.

3. Par une lettre en date du 8 février 1935, la Société de Banque Suisse faisait connaître au Comité qu’elle n’était pas en mesure d’exercer les fonctions prévues, par suite de l’existence de certains litiges non réglés, à propos desquels des actions judiciaires étaient en cours dont il était impossible de prévoir l’issue.

Par une seconde lettre, la Société de Banque Suisse informait le Comité, le 21 février 1935, que les difficultés en question «non seulement subsistent encore, mais semblent devoir s’aggraver. Comme il est peu probable qu’elles puissent être bientôt écartées et que nous ne désirons pas nous immiscer dans les différends survenus entre les parties en cause, nous nous voyons, à notre vif regret, dans l’obligation de vous prier de bien vouloir nous relever de nos fonctions de «Trustee» du fonds en question».

4. Le Comité financier considère qu’en raison des circonstances telles qu’elles sont exposées par le «Trustee» il y a lieu de faire droit à la demande de ce dernier d’être relevé de ses fonctions. Le Comité prie donc le Conseil de l’autoriser à agir dans ce sens.

Par ailleurs, le Comité estime qu’il est évidemment impossible pour le moment d’envisager la nomination d’un nouveau «Trustee» ; il ne lui appartient pas au surplus de chercher les moyens de surmonter les difficultés signalées ci-dessus.

VII. COMITÉ MIXTE POUR L’ÉTUDE DES ACCORDS DE COMPENSATION ET DE CLEARING.

1. Le Comité financier avait désigné quatre de ses membres pour siéger au sein de ce Comité, aux travaux duquel M. Dayras a également pris part en sa qualité de Président du Comité financier.

2. Le Conseil est saisi du rapport que le Comité mixte a établi à la fin de sa session.

3. Ce rapport démontre l’interdépendance de plus en plus étroite entre les échanges commerciaux et les problèmes financiers et monétaires dans les relations internationales, ainsi que l’utilité qu’il y avait d’établir, pour cette étude, une collaboration entre le Comité financier et le Comité économique.
4. Le Comité financier a souvent rencontré des exemples d'accords de clearing en examinant la situation des pays dont il a à s'occuper. Il adhère pleinement à la démonstration de l'existence des liens étroits qui relient la question des accords de clearing et de compensation aux causes générales et fondamentales qui ont déterminé et continuent d'influencer la présente dépression.

5. Le Comité financier souligne à ce sujet les observations du rapport, qui rappelle que l'imposition du contrôle des devises, désignée dans les réponses des gouvernements comme la cause immédiate de l'établissement des accords de clearing, ne représente qu'une forme de défense contre les effets de la crise générale sur les pays dont la structure économique et financière était particulièrement vulnérable. La baisse profonde des prix et la paralysie du crédit international ne pouvaient manquer de provoquer, en l'absence de l'influence régulatrice des mouvements de capitaux, un grave désordre dans les courants des échanges commerciaux. La répercussion de ce désordre sur les systèmes monétaires a eu pour effet d'entraver le fonctionnement du clearing naturel automatique entre les balances des comptes internationaux. Ce désordre a donné lieu d'une part à des courants d'échanges anormaux, d'autre part soit à des défauts de paiement, soit à l'adoption de procédures artificielles de règlement.

6. Le Comité financier désire également mettre en évidence la conclusion finale, qui est précisément d'ordre général et qui se résume comme suit :

« Si les accords de clearing et autres arrangements tendant à régler les paiements internationaux par voie de compensation forcée dérivent le plus souvent, comme on l'a vu, de l'institution des réglementations du commerce des devises en certains pays, cette dernière institution n'est elle-même que le résultat de certaines causes fondamentales. Les pays qui adoptent de telles réglementations et qui les maintiennent d'une façon durable malgré les difficultés croissantes qui en résultent pour leur vie économique et pour les échanges internationaux, prendraient plus facilement sans doute la décision d'y renoncer, s'ils n'étaient dominés par un sentiment d'insécurité, dû principalement aux trois causes suivantes :

- Risque de voir tel débouché extérieur de leurs produits brusquement fermé par des mesures de prohibition ;
- Instabilité du marché international des produits et des capitaux, due au déséquilibre des changes entre los principales monnaies ;
- Incertitude sur le poids réel, définitif, de leur endettement, malgré les allégements substantiels déjà réalisés généralement.

« Aussi, sans préjudice des suggestions présentées plus haut, et dont l’application devrait être poursuivie dans toute la mesure du possible, est-ce dans le rétablissement d’un étalon monétaire international avec les conditions de liberté des échanges indispensables à son fonctionnement normal que, en dernière analyse, le Comité verrait la sauvegarde la plus efficace contre des initiatives perturbatrices, aussi bien dans le domaine des réglementations internes du commerce des devises que dans celui des accords de paiements internationaux. »