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LEAGUE OF NATIONS

REPORT AND PROCEEDINGS

OF THE

WORLD ECONOMIC CONFERENCE

HELD AT GENEVA, MAY 4TH TO 23RD, 1927

VOLUME I

Edited by the Economic and Financial Section

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PREFACE

PREPARATION AND COMPOSITION OF THE CONFERENCE

The International Economic Conference was initiated by the following resolution passed by the Sixth Ordinary Session of the Assembly of the League of Nations on September 26th, 1925, on the proposal of the French Delegation :

"The Assembly,

"Firmly resolved to seek all possible means of establishing peace throughout the world ;

"Convinced that economic peace will largely contribute to security among the nations ;

"Persuaded of the necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity, and of ascertaining the best means of overcoming these difficulties and of preventing disputes ;

"Invites the Council to consider at the earliest possible moment the expediency of constituting on a wide basis a Preparatory Committee which, with the assistance of the Technical Organisations of the League and the International Labour Office, will prepare the work of an International Economic Conference.

"The convening of this Conference under the auspices of the League of Nations shall be a matter for subsequent decision by the Council."

The Council, which met in December, received and adopted, on the 14th, a report on the project for an Economic Conference from its Rapporteur on Economic Questions, M. Hymans, together with a resolution taking note of the Assembly resolution of September 26th and continuing as follows :

"And after examining the proposal submitted by the French Government, with regard to the composition of a Preparatory Committee, and the observations of other Governments and of the technical organisations and of the International Labour Office on that proposal :

"And having approved the report of the Rapporteur ;

"Decides :

"1. To appoint a technical Preparatory Committee, consisting not of representatives of Governments or of organisations but of persons chosen as experts and best fitted by their qualifications and personal experience for the task of preparing for the Conference.

"2. The task of this Committee will be to arrange for the preparation and collection of such economic information as may assist the work of the Conference, and to consider and present for the approval of the Council the programme, composition, rules of procedure and date of meeting of the Conference.

"3. This Committee will be composed of persons drawn in part from the technical organisations of the League and the International Labour Office, in part from persons with experience of industry, commerce and agriculture, in part from persons of scientific qualifications as economists, in part from persons who can express the workers' and consumers' points of view. The Preparatory Committee will decide by a majority where unanimity is impossible.

"4. The Council in special Committee will follow the work of the Preparatory Committee.

"5. The Council, having considered the list presented by the Rapporteur and the Secretary-General, authorises the issue of invitations in conformity with it, and the publication of the composition of the Committee on receipt of acceptances from the persons invited."

The Hymans Report, adopted by the Council, commented on the effect of the resolutions as follows :

"I would venture briefly to explain the significance of the decisions which the Council is about to reach. These decisions are based strictly on the Assembly resolution and the discussions of the Second Committee. The Preparatory Committee will be composed of persons sitting as experts and not as representatives of any Government

or organisation. It will be entirely untrammelled in its discussions. With a view to drawing up the programme of the Conference, the Committee will have to consider in what domains the economic difficulties which are at present experienced are international in character, and to discover the points in respect of which practical solutions might be contemplated, together with the appropriate methods of giving effect to these solutions. The conclusions of the Committee as regards the programme, composition, rules of procedure and date of the Conference will be submitted to the Council."

The Preparatory Committee was constituted in accordance with these instructions given by the Council, who appointed M. Gustave ADOR (Switzerland) as Chairman. M. Ador was, however, prevented by ill-health from presiding at the meetings of the Committee, his place being taken by the Vice-Chairman, M. THEUNIS (Belgium), who, in view of the continued ill-health of M. Ador, was eventually appointed Chairman by the Council. The Committee comprised thirty-five persons of twenty-one nationalities, and included among its members industrialists, merchants, agriculturists, financiers, officials with experience of commercial policy, economists and representatives of workers' and consumers' organisations. It met twice, in April and in November 1926.

At the April session, the Committee decided what documentary preparation was necessary before the agenda of the Conference could be finally decided upon. At the November session, the preliminary documentary preparation was reviewed, and the Committee then made arrangements for its completion and for its approval by a Co-ordination of Documentation Committee appointed for the purpose; the agenda of the Conference was drawn up and recommendations were made as to the composition and date of the Conference. This agenda, together with the arrangements proposed, were approved by the Council in March 1927, and communicated thereafter to the different States, whether Members of the League of Nations or not, which were invited to nominate members of the Conference. The two reports of the sittings of the Preparatory Committee in November 1926 and March 1927 are printed in this volume as Annexes III and IV.

The list of documents transmitted to the Conference by the Preparatory Committee and of the documents the publication of which was authorised by the Committee is given in Annex V.

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The Economic Conference, likewise presided over by M. THEUNIS, was held at Geneva from May 4th to 23rd, 1927. It was composed of members nominated by Governments, members nominated by the Council or by certain international organisations invited by the Council, and of experts accompanying members or invited by the President of the Conference (Annex I). It consisted of 194 delegates and 226 experts from 50 Member and non-Member States.

The first four days were devoted to a general discussion in plenary session. The Conference then resolved itself into three Committees: Commerce, Industry and Agriculture, in accordance with the subdivisions of its programme.

The Committee on Commerce, presided over by M. COLIJN (Netherlands), after a general discussion on the part of the programme assigned to it, divided up into three Sub-Committees, the first dealing with *Liberty of Trading*, the second with *Customs Tariffs and Commercial Treaties* and the third with *Indirect Means of Protecting National Trade and National Navigation*.

The Committee on Industry, presided over by M. HODÁČ (Czechoslovakia), preferred to examine in plenary meetings the problems coming within its purview. This examination was carried out in the following order: industrial situation, general considerations, rationalisation, industrial agreements and documentation.

The Committee on Agriculture, presided over by M. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes), followed the same procedure as the Committee on Commerce. It divided up, after a general discussion, into three Sub-Committees, the first dealing with *General Questions*, the second with *Agricultural Co-operation* and the third with *Agricultural Credits*.

The reports and resolutions adopted by the three Committees, before being submitted to the Conference for approval, were put before a Co-ordination Committee composed of the President and Vice-Presidents of the Conference and the Chairmen, Vice-Chairmen and Rapporteurs of the three Committees. This Committee's function was to co-ordinate the work of the three Committees. It was also entrusted with the preliminary discussion of the introduction to the Report, as well as of certain general resolutions which did not fall within the scope of the work of any of the Committees and which now form part of the final Report. This Report was unanimously adopted by the Conference, the members of the delegation of the Union of Socialist Soviet Republic and of the Turkish delegation abstaining from voting.

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AGENDA OF THE CONFERENCE

FIRST PART.

The World Economic Position.

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Economic tendencies capable of affecting the peace of the world.

SECOND PART.

I. Commerce.

1. Liberty of trading :
 - (a) Import and export prohibitions and restrictions.
 - (b) Limitation, regulation or monopolisation of trade.
 - (c) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.
2. Customs tariffs and commercial treaties :
Obstacles to international trade arising from :
 - (a) Form, level and instability of import and export tariffs.
 - (b) Customs nomenclature and classification.
3. Indirect methods of protecting national commerce and shipping :
 - (a) Subsidies, direct or indirect.
 - (b) Dumping and anti-dumping legislation.
 - (c) Discrimination arising from the conditions of transport.
 - (d) Fiscal measures discriminating against foreign imported goods.
4. Repercussion upon international commerce of reduced purchasing power.

II. Industry.

1. Situation of principal industries (productive capacity, output, consumption and employment).
2. Nature of present difficulties in industry ; their industrial, commercial and monetary causes.
3. Possibilities of action ;
 - (a) Organisation of production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labour ; their legal position ; their connection with Customs problems.
 - (b) Importance of collection and prompt exchange of statistical information with regard to industrial production.

III. Agriculture.

1. The present position of agriculture compared with pre-war conditions, in respect of production, consumption, stocks, prices and free circulation of agricultural products.
2. Causes of present difficulties.
3. Possibilities of international action :
 - (a) Development of, and international collaboration between, producers' and consumers' organisations, including the different systems of co-operative organisation.
 - (b) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, etc.
 - (c) Development of the purchasing power of agricultural producers.

OFFICERS OF THE CONFERENCE

President of the Conference nominated by the Council of the League of Nations :

M. G. THEUNIS, Minister of State (Belgium).

Vice-Presidents of the Conference :

M. LOUCHEUR (France). [First Vice-President.]
Mme Emmi FREUNDLICH (Austria).
M. R. DE RIO BRANCO (Brazil).
Sir Arthur BALFOUR (British Empire).
M. Chr. SONNE (Denmark).
M. C. F. VON SIEMENS (Germany).
Count BONIN-LONGARE (Italy).
M. T. SHIDACHI (Japan).
M. J. OUDEGEEST (Netherlands).
M. H. GLIWIC (Poland).
Mr. Henry M. ROBINSON (United States of America).
M. V. OBOLENSKI-OSSINSKI (U.S.S.R.)

Committee on Commerce :

Chairman : M. H. COLIJN (Netherlands).
Vice-Chairmen : Mr. R. W. BOYDEN (International Chamber of Commerce).
M. O. RYDBECK (Sweden).
Rapporteurs : Mr. Norman H. DAVIS (United States of America).
M. G. L. GÉBARD (Belgium).

Committee on Industry :

Chairman : Dr. F. HODÁČ (Czechoslovakia).
Vice-Chairmen : M. E. NECULCEA (Roumania).
M. D. URZUA (Chile).
Mr. A. PUGH (British Empire).
Rapporteurs : M. A. PIBELLI (Italy).
M. DE PEYERIMHOFF (France).

Committee on Agriculture :

Chairman : M. G. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes),
Vice-Chairmen : Dr. L. K. HYDER (India).
Count L. SOMSSICH (Hungary).
Rapporteurs : Dr. A. HERMES (Germany).
M. F. PORCHET (Switzerland).

GENERAL SURVEY AND SUMMARY

by M. THEUNIS, *President of the Conference.*

[*Speech made at the closing meeting on May 23rd, 1927.*]

Ladies and Gentlemen,

The deliberations of this Conference have now come to an end, and it remains for me, in this concluding speech, to review the achievement of the last three weeks and attempt to indicate the stage we have reached in dealing with the vast and complex problems which we were asked to discuss. I say "the stage we have reached", for at the outset I think it well to recall, as the Preparatory Committee did in its report, that the "Economic Conference must be regarded not as an isolated event but as a stage in the continuous work of international collaboration in the economic sphere which had begun before the project of a general conference was launched and will continue when the Conference itself is over".

The Conference has met after a long and elaborate preparation extending over a year. It has had at its disposal a documentation which derives its value from the collaboration of distinguished experts and of both official and private organisations throughout the world, and is remarkable alike for its range, its fulness and its authority. I would mention, for example, the International Chamber of Commerce, whose written and personal contributions — based on previous consultations of national committees in many countries — have throughout been of the greatest assistance. We have also been fortunate in obtaining the help, in every stage of our work, of the International Labour Office, the International Institute of Agriculture and other bodies.

The Conference has been no less notable in its composition : 194 members, attended by 226 experts, drawn from 50 countries in all quarters of the globe, including not only countries which are Members of the League but non-Members, have agreed upon a body of far-reaching recommendations and resolutions.

You have been chosen, with few exceptions, by Governments, though you are not spokesmen of official policy, and your qualifications cover almost every sphere of human activity. The distinctive character of the Conference is thus that it is responsible though not official — expert but not academic. I cannot but believe that resolutions unanimously voted by a membership so widely representative both in qualifications and in nationality must profoundly influence the future economic policy of the world.

Our three weeks of assiduous study and full discussion are now over. We are answerable to our own conscience and to public opinion for the results. Have we accomplished the task assigned to us ? I think, ladies and gentlemen, that I am entitled to say that you have achieved a real and a permanent result, and that it goes far beyond the hopes which were cherished when you began your labours.

All who have followed your work with interest throughout the world — and they are many — all those who have realised even imperfectly the serious difficulties and complications with which you were faced, will welcome the achievement and will congratulate you on the combined zeal and commonsense to which it is due.

There was indeed a danger — and we can admit it now that we have reached the close of the first stage of our work — that the bold initiative of the League of Nations and the conception on which it was based might involve great difficulties.

It was necessary to clear a way through the thicket and chaos of the problems which hindered the nations of the world in their progress. It was necessary to bring into harmony the conflicting policies and desires of many interests and many great movements.

In spite of the efforts to be impartial and to be conciliatory which we are accustomed to expect from representatives meeting at Geneva, there was reason to fear that the diversity of origin and of qualifications might cause friction and opposition — possibly of a violent and unpleasant character.

The danger of confusion and of controversies, which many pessimists considered practically certain, has, thanks to the generous effort at *rapprochement*, not only been avoided but actually eliminated. And after the appeal for solidarity which I ventured to make to you a few weeks ago, I desire to thank you and congratulate you from the bottom of my heart.

Producers, employers and workers, farmers, traders, financiers, economists and consumers, you have, without neglecting the interests which you represent and which you

have to defend, constantly borne in mind that we are all members of the same community, working, toiling, suffering together and directing our efforts to a common end.

Each of the three great Committees — on Commerce, on Industry and on Agriculture — through which the Conference has worked has itself been a real international conference. All of them carried out a thorough examination of their various problems, and their conclusions, even taken separately, are of high value, determining, as they do, first the main causes of the evils from which the world is suffering and, secondly, indicating remedies which can be applied in practice.

By means of their public discussions, the reports submitted to them and the committees which they set up for special problems, the three main Committees of the Conference have performed work of the highest importance, each part of which will serve to throw light on the rest and facilitate its comprehension.

If I had to sum up in a few words the most striking feature of the Conference, I could not do better than quote a sentence from the report of the Commerce Committee: "In spite of the variety of the questions raised, the diversity of theories, and the legitimate national sentiments of all those who took part in the discussions, one important and extremely encouraging fact has emerged; and, having emerged, has become increasingly manifest as the work has advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it, and resume that general upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation".

I would make one other prefatory remark before I turn to the resolutions.

The Conference, as a world conference composed of those who represent different interests and policies in every quarter of the globe, has considered economic problems in their international aspects and adopted an international point of view. It has recognised the importance, and in certain cases the decisive importance, of national considerations, some of which are political and social rather than economic in character; and it has recognised that it is not possible to secure the adoption of policies and systems determined in every feature by the sole criterion of what would give the maximum prosperity to the world as a whole. Some countries will decide to assure the manufacture in their own territory of certain articles whether or not the purely economic result, for the world as a whole or for the country in question, of importation from abroad would have been preferable. But, as the starting point and angle of approach to the different problems, the Conference, as an international conference, has felt bound to assume that international trade is itself to be desired; that the exchange of products and services between persons either of the same country or of different countries is normally to the advantage of both parties; that the greater the range of exchange of different products between those who by their resources and capacities are best fitted to produce them, the greater is the general economic advantage; and that international exchange of products best and most economically produced in different countries should therefore be regarded as the normal rule.

There are practical limitations to the application of this principle in policy. But that international trade is normally and properly not a matter of victory and defeat, or profit of one at the expense of the other but of mutual benefit, has necessarily been the basis of this International Conference.

* * *

With this preface let me review our resolutions, following the order of the agenda.

The first part covers a general review of the world economic position. We have first had written reports from twenty-four nations describing the principal features and problems as seen from the point of view of the respective countries; and these have been supplemented by further similar accounts in the speeches of the Conference. We have next, in the first chapter of our report, given a general picture of the present economic situation as it emerges from the documentation.

Lastly, on this part of the agenda, we have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed; that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the economic problem; and that we should look forward to the establishment of a recognised body of principles designed to eliminate the economic difficulties which cause friction and misunderstanding. The object of the Conference, as the original Assembly resolution made clear, was a twofold one. It has been concerned not only with the prosperity but with the peace of the world. This has been not only a special item on the agenda but a point of view which the Assembly wished should be borne in mind throughout the discussion of particular problems. Economic conflicts and divergence of economic interest are perhaps the most serious and the most permanent of all the dangers which are likely to threaten the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace if the economic policies of the world so develop as to create not only

deep divergencies of economic interest between different masses of the world's population but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation. No single conference can do more than make a first beginning in such a task, but the ultimate results are incalculable.

There follow several resolutions on subjects not falling under special chapters on the agenda or dealt with by the three Committees.

This Conference has again, as the Brussels Conference did in 1920, called attention to the heavy burden of armaments expenditure entailing heavy taxation which reacts upon the whole economic life of the different States and lowers their standard of living ; and expresses the earnest hope that the efforts, by agreements between States, to secure limitation and reduction of armaments will have successful results.

Next comes a resolution in which the Conference states that, while it refrains absolutely from infringing upon political questions, it regards "the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations".

Lastly, the Conference recognises that the successful application of the principles on which it has agreed depends "not only upon the good-will of Governments and administrations but upon an informed and supporting public opinion throughout the world".¹

* * *

Let us come now to the second part of the agenda, which was divided into three main chapters : "Commerce", "Industry", and "Agriculture", each of which has been dealt with by a special Committee, whose reports and resolutions have been approved by the whole Conference.

COMMERCE.

The fundamental idea on which the work of the Committee on Commerce was based, and which has appeared with increasing force in the course of the discussions, is the necessity of restoring greater freedom to a world hitherto hampered by many obstacles due to the war and its consequences and to erroneous economic ideas. At the same time there has been a recognition of the close interdependence of nations in this sphere and the importance of the reactions which measures taken by the various countries exert on the policy of the other countries.

In the first chapter of "Commerce", the Conference first makes a number of recommendations, under the general heading "Liberty of Trading" — an expression not to be confounded with "Free Trade" but embracing all measures calculated to liberate international commerce from artificial restrictions and obstructions. The Conference expresses the hope that the Diplomatic Conference convened at Geneva for November next by the League of Nations will result in the real removal of import and export prohibitions and restrictions. It condemns the granting of special immunities and privileges to State-controlled undertakings which enable them to compete unfairly with private enterprises, and commends and encourages the action now being taken by the Economic Committee for the removal of many impediments to international trade. Lastly, the Conference recommends the preparation of a convention on economic and fiscal treatment of foreigners and foreign enterprises for which valuable information has been furnished by the report of the International Chamber of Commerce.

The Committee then took up the question of Customs tariffs, distinguishing between their form and their substance, *i.e.*, the actual amount of the import duties. As regards the question of form, the Conference unanimously recognises the desirability of simplifying Customs tariffs as far as possible, creating a systematic Customs nomenclature the use of which would in due course be regularised by international conventions, stabilising Customs tariffs, thereby eliminating a disturbing factor especially harmful to industry and commerce, and finally ensuring the utmost fairness in the application of the duties.

The main object of the work of the Committee has naturally been the question of Customs tariff levels, which is closely bound up with that of commercial treaties.

The essential conclusion which emerges from the discussion in this field is that the Conference declares that "*the time has come to put an end to the increase in tariffs and to move in the opposite direction*". To achieve this result it is recommended that action should be pursued along the three following lines : first, *individual* action by the various States with regard to their own tariffs ; secondly, *bilateral* action through the conclusion of suitable commercial treaties ; thirdly, *collective* action, by means of an enquiry undertaken by the Economic Organisation of the League of Nations, with a view to encouraging the extension of international trade on an equitable basis by removing or lowering the barriers to international exchange set up by excessive Customs tariffs.

¹ For the text of the resolutions, see Report of the Conference, part. 5 : General Resolutions.

A fact that may be taken as marking a considerable step in the evolution of ideas in Customs tariffs is that this question, notwithstanding its fundamental importance in the economy of each State, has now come to be considered as no longer being exclusively within the domain of national sovereignty but as falling within the scope of problems for which parallel or concerted action among the different nations is possible and desirable. Each nation will then know that the concession it is asked to make will be balanced by corresponding sacrifices on the part of the other nations. As the report of the Committee states, each country will then be able to give its attention to the proposed measures, not merely in view of its own individual position but also because it is interested in the success of the general plan laid down by the Conference.

Round the central idea of the diminution of Customs charges are grouped other questions which support it and tend to hasten its realisation and render it more complete.

Thus the Conference next condemns the practice of penalising imported goods by means of differential internal taxes, and declares that, as the free movement of raw materials is essential for a healthy development of world trade, export taxes should be as low as fiscal requirements and exceptional and compelling circumstances permit, and should in any case not be discriminatory.

Finally, the Conference, having in mind the need of restoring the system of long-term commercial treaties, and recognising that any such system must be built up on the mutual grant of unconditional most-favoured-nation treatment, recommends that this important conception should be given the widest and most liberal interpretation.

The Economic Organisation of the League should examine the possibility of securing a standard form of commercial treaty and uniform principles as to the interpretation and scope of the most-favoured-nation clause.

Lastly, the Conference recommends States to consider the desirability of providing in their commercial treaties for the decision of disputed questions of interpretation or application by arbitration or by a reference to the Permanent Court of International Justice.

There are certain indirect means of protecting national trade and national navigation. Although they exercise a less immediate influence on the development of trade than the fundamental problems just described, questions such as the granting of subsidies, dumping and discrimination imposed under the transport regime merited the attention of the Conference. Certain principles were laid down which, without always indicating definite solutions — a very difficult matter owing to the wide variety of opinions held — should help to enlighten public opinion as to the true nature and inevitable consequences of the practices in question.

INDUSTRY.

In the report dealing with "Industry", the Conference begins by a brief analysis of the causes of the difficulties with which the industries of principal international importance are at present faced in certain parts of the world.

The Conference took as its central problem the question of how costs could be reduced without injury to the consumers or the worker. With this object it considered: (1) "rationalisation" in its various aspects, and, in this connection, (2) international industrial agreements, and (3) the collection and exchange of information.

The report enumerates in detail the aims of rationalisation, and declares that it must be applied with care so as not to injure the legitimate interests of the workers. It therefore recommends that Governments, public institutions, trade organisations and public opinion, as the case may be, should encourage producers to promote the investigation of the best methods and results of rationalisation and scientific management and standardisation, not neglecting the smaller undertakings and giving special attention to measures calculated to promote social welfare.

The report then turns to the question of industrial agreements, which has recently attracted close attention and on which the discussions at the Conference revealed a certain conflict of views. The Conference has laid down no conclusion of principle on the subject, but recognises the growth of agreements as a development which may be either good or bad according to the spirit in which they are constituted and operated and the measure in which their directors are actuated by a sense of the general interest. Agreements cannot by themselves be regarded as the only remedy for the present causes of economic trouble; but, within limits, they may serve to improve the organisation and reduce the cost of production. By checking uneconomic competition and diminishing industrial fluctuations they may make employment more stable while benefiting the consumers. Nevertheless, agreements may involve danger if they encourage monopolistic tendencies and unsound business methods.

The Conference therefore lays it down that agreements ought not to lead to an artificial rise of prices and that they should not restrict the supply to any particular country of raw

materials or basic products, or, without just cause, create unequal conditions between the finishing industries of consuming and producing countries or other countries similarly placed. Nor should they stereotype the present position of production or the distribution of industries.

No special system of supervision over agreements is recommended, and Governments which adopt measures regulating agreements within their country are advised not to place obstacles in the way of the benefits which such agreements might secure. While the divergencies between the national measures of supervision offer an obstacle to the establishment of an international system, the Conference considers that publicity is one of the most effective means of preventing the growth of abuses, and recommends that the League of Nations should follow closely the operations and effects of international agreements and should collect and publish such relevant data as are of general interest.

Lastly, the Conference lays special emphasis on the importance of the systematic collection of accurate information both from the point of view of the leaders of industry and of the public. Accurate statistics should be obtained both for the basic world industries and also for the chief industries of each country, so as to render possible the compilation of quantitative indices of industrial production.

The Economic Organisation of the League of Nations should endeavour to promote international agreements with regard to the terms, methods and scope of industrial statistics employed, and should collate the information provided as to raw materials, production, etc., the International Labour Office dealing with wages, hours, employment, etc.

In addition, the Economic Organisation should arrange for the compilation of general reports, special studies and reviews bearing on industrial development, raw materials and changes in production and trade.

AGRICULTURE.

For the first time, at this Conference, agriculture has been represented side by side with commerce and industry in such a way that it can take its place in a general review of the economic situation of the world. From the documents available at the Conference, it is evident that the dislocation of the prices of agricultural in relation to those of manufactured products is causing a widespread depression in agriculture, which, if some improvement is not achieved, may result in a diminution in agricultural production.

Perhaps the most important outcome of the agricultural discussions is the realisation of the essential interdependence of agriculture, industry and commerce; that, in the words of the report, "it would be vain to hope that one could enjoy lasting prosperity independently of the others".

The Conference considers that the first measures for the improvement of agriculture must be taken by agriculturists themselves — by the general adoption of better technical methods, more scientific organisation, an extension of the international campaign against diseases of plants and animals, and by co-operation and the organisation of credit institutions. With regard to the co-operative movement, the Conference desires to emphasise the importance of direct relations between producers' and consumers' associations.

The credit difficulties in the way of agriculture, still so acutely felt in many countries, can only be surmounted by organising national credit institutions where they do not yet exist or developing already existing institutions, with or without the assistance of the public authorities. The study of the question whether an international organisation capable of increasing the resources available for agricultural credits is or is not a practical proposition is recommended.

In some of the measures mentioned above, private endeavour must be supplemented by Government action. With regard to legislative measures, the Conference recommends the extension of social legislation to the agricultural population, it being understood that special adaptation to the requirements of rural conditions would be necessary.

In agreement with the principles stated in the review of commercial conditions, the Conference lays stress on the desirability of removing hindrances to the free flow of agricultural products in so far as their removal does not endanger the vital interests of the various countries or their workers. Where a minimum of protection is maintained, care should be taken to maintain an equitable balance between industry and agriculture and not to stifle the one to the advantage of the other.

The Conference further recommends the development of agricultural statistics, particularly on the basis of an exact system of farm accounting and with regard to live-stock and animal products; also, that a general enquiry be made into the present situation and the possibilities of developing agriculture, particular attention being given to the development of agriculture among the indigenous populations in colonies.

A special study should be made of the resources and the exploitation of forests in relation to the need for obtaining the regular supplies essential to industry.

In view of the interdependence of agriculture on the one hand and industry and commerce on the other, the Conference requests the League of Nations to ensure that, in the organisations already existing or to be formed for the study of economic questions, agricultural interests shall be represented in proportion to their economic and social importance.

The Conference concluded with a resolution expressing its high appreciation of the work of the Economic Committee and the Secretariat of the League. With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, thought that it could not do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.

CONCLUSIONS.

The eight years of post-war experience have demonstrated the outstanding fact that, except in the actual fields of conflict, the *dislocation* caused by the war was immensely more serious than the actual *destruction*. The main trouble now is neither any material shortage in the resources of nature nor any inadequacy in man's power to exploit them. It is all in one form or another a maladjustment — not an insufficient productive capacity but a series of impediments to the full utilisation of that capacity. The main obstacles to economic revival have been the hindrances opposed to the free flow of labour, capital and goods.

The removal of these obstacles with the twofold object of stimulating production and restoring free channels for trade requires concerted international action. The attainment of the former object lies largely in the hands of producers in promoting by co-operation more scientific methods, such as simplification and standardisation, which eliminate waste. A necessary preliminary to this process is the collection and periodical publication of information bearing on production and its factors which shall be fuller, more regular, more uniform and better co-ordinated. The second object lies rather within the scope of governmental efforts, inspired and permitted by an enlightened opinion among employers, workers and consumers. This is especially true of Europe. It is essential, as the resolution states, "that nations should take steps forthwith to reverse or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the disturbances arising out of the war". It is essential that a renewed sense of security should mitigate a burden of armaments which is profoundly uneconomic. We have here, and in the erection of tariffs walls in order to obtain "self-sufficiency", two of many illustrations of the relation between the problem of economic recovery and of security. It is perhaps particularly true of Europe, but also true of the world in general, that without confidence in the continued peace of the world a prosperity corresponding to the real recovery of productive capacity which has taken place since the war cannot possibly be attained.

* * *

Such, in bare summary, are the results and resolutions of the Conference. They must be studied in the complete text, which alone remains authoritative, to be fully appreciated; and, in particular, the more important recommendations, which can be distinguished by the Table of Contents and the headings, do not admit of adequate summary and need to be read in their complete form.

Now that we have laid down in your resolutions the principles upon which economic policy should be based, we must ask ourselves if our work is finished. Most certainly it is not; I might even say that our work is only begun.

You have completed the first stage of laying down the principles; and in doing so you have been inspired by the great and fruitful idea of the interdependence of nations, and of the interdependence of the groups of which nations are composed. At every stage in your discussions and on every page of your reports, the solidarity of mankind has appeared more obvious and more significant. You have striven to make it easier for the masses to improve the material, and therefore the moral, conditions of their life. But your work cannot prove effective unless the peoples of the world themselves give to your recommendations the support of their interest and of their power. If we are not supported by all those for whom we have been working, our endeavours will be unavailing. Public opinion as a whole must understand not only the intrinsic importance of your work, but also, and above all, it must realise its strength, its utility and the vital importance which it must have for its well-being.

We have worked loyally together to secure economic peace, on which, indeed, political peace depends. This Conference is an assembly of persons who have been brought into touch with realities — always harsh and often disappointing — but with realities in which truth, sooner or later, always prevails. Our advice and recommendations will in all probability not be followed immediately on the scale we would desire. Great movements frequently experience many difficulties at the outset. But we are convinced that our work is based on true principles and on the determination to ensure to the best of our power both the peace and the prosperity of the world. In coming here to Geneva in response to the appeal of the League of Nations, which truly interpreted the ardent desire for peace and reform cherished by all nations, we desired to undertake a beneficent task. To-day we have completed the first stage, and we may well be proud of what we have done. But we must not forget that our success will depend on the measure of our perseverance.

And I venture here to make an urgent and solemn appeal to all those — members and experts — who have co-operated in our work and taken part in the Conference. By contributing to the framing and adoption of our recommendations, we have assumed a real moral obligation to disseminate, to defend and to secure the triumph of the truths which we have formally proclaimed. They will win their way gradually, no doubt, and partially, but they will ultimately prevail. When we resume our everyday duties, we must endeavour constantly to devote to these truths a part of our thoughts and efforts.

After the terrible calamity experienced by Europe, the results of which have been felt throughout the whole world, we cannot expect that order will be restored as if by enchantment. But whether the fruits of our labours are gathered by ourselves or by those who succeed us, we are animated by the firm determination to unite our efforts to those of friends who share our hopes, our enthusiasm and our ideals. We know that the time will come when mankind will be the happier for our work. And that alone, ladies and gentlemen, will enable us to be proud of what we have done.

EXTRACT FROM THE MINUTES OF THE MEETINGS OF THE COUNCIL

Held at Geneva on June 16th, 1927

Present: The following representatives of the Members of the Council:

Sir Austen CHAMBERLAIN (*President*) (British Empire).
M. VANDERVELDE (Belgium).
M. VILLEGAS (Chile).
M. CHAO-HSIN CHU (China).
M. URRUTIA (Colombia).
M. BENEŠ (Czechoslovakia).
M. LOUCHEUR (France).
Dr. STRESEMANN (Germany), Rapporteur on Economic Questions.
M. SCIALOJA (Italy).
Viscount ISHII (Japan).
Jonkheer Beelaerts VAN BLOKLAND (Netherlands).
M. SOKAL (Poland).
M. Petresco COMNÈNE (Roumania).
M. YUDICE (Salvador).

Sir Eric DRUMMOND, *Secretary-General*.

Report on the Work of the International Economic Conference.

Dr. STRESEMANN (Rapporteur on Economic Questions) read the following report:

“The International Economic Conference, which was convened in pursuance of the Assembly’s decision of September 24th, 1925, on the proposal of the French delegation, held its meetings from May 4th to 23rd under the eyes of the statesmen, the economists, the business-men and the public of the whole world; the ground was first admirably prepared by the Preparatory Committee and the Secretariat. The results of the Conference are comprised in a Report which is already in the hands of the Council (document C.E.I. 44).

“It is a great privilege to me to bring officially to the attention of my colleagues on the Council the results of one of the most remarkable and successful Conferences ever convened by the League of Nations.

“The Conference was given the task of setting forth in clear and unambiguous terms the nature of the difficulties and evils of the present world economic situation, and of pointing out the way in which these difficulties could be removed or mitigated by international co-operation, with due regard to the exigencies of national life.

“In the opinion of observers in all countries, the achievements of the Conference in this direction have been of the highest importance. This is not because they have revealed to Governments or students of economics facts or remedies of which they were unaware, but because a large number of eminent experts, drawn from all countries of the world, have condensed in unanimous resolutions the results both of their studies and of their practical experience, indicating at the same time the different paths which might lead to an improvement of prevailing conditions.

"It was natural that the attention of the experts should first have been drawn to the economic situation of Europe, which during and since the war has been more severely tried than any other part of the globe; but they did not lose sight of the reaction of the difficult European situation on that of other continents and they gave close attention to a large series of general problems equally important for all parts of the world.

"The resolutions of the Conference are mainly concerned with questions of commerce, industry and agriculture.

"Commerce is, *par excellence*, a matter of international concern. It is at the same time largely influenced both by the independent action of States and by their treaty relations with each other. It is not therefore surprising that the Conference gave the problems of international commerce the foremost place. In this important field the Conference recognised in principle the necessity of liberating international trade from all artificial barriers and obstacles, especially those which arise from high Customs duties.

"The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction.

"These are momentous words, involving as they do a whole programme of work which can only advance by progressive steps towards realisation. The means to this end lie first of all in the simplification and unification of the mechanism of tariffs, in striving for greater stability in Customs duties, in the introduction of improved methods of treaty-making, and, finally, in the gradual reduction of tariff burdens.

"Three roads lead towards this goal: individual action by States with regard to their tariffs; bilateral action through the conclusion of suitable commercial treaties; and, lastly, international concerted action. The importance of international co-operation in this field is strongly underlined by the Conference and it is just this part of the work which falls within the province of the League of Nations and its economic organs.

"In the sphere of *industry*, special emphasis is laid on reduction of the cost of production by the study and application of the best methods of economic stabilisation. The importance of international industrial agreements for the promotion of general commercial interests in certain industries is admitted, subject to conditions and safeguards which are clearly set forth.

"In regard to the requirements of *agriculture*, the Conference sees a possibility of effecting an improvement, particularly by the use of better methods, the development of the co-operative system and an improved organisation of credit institutions.

"There seems no reason for me to discuss the general report of the Conference in greater detail, since all members of the Council are already familiar with the report itself.

"In almost every one of its resolutions, whether they be concerned with commerce, industry or agriculture, the Conference has made suggestions or recommendations for further work to be undertaken by the League of Nations in promotion of the aims which the Conference has pursued.

"The Report in your hands will soon show you that the tasks which the Conference has bequeathed to the League of Nations are both numerous and varied. They will require continuous, methodical and expert study for their accomplishment. The Council will therefore, at a suitable moment, have to consider the advisability of modifying or supplementing its Economic Organisation in order to adapt it to its new tasks.

"Yet I am inclined to think that it would still be premature to embark to-day on a discussion of this important problem, and I would propose that we adjourn its discussion till the September session. But, in the meantime, I hope that the Economic Committee and the Secretariat will get forward as far as possible with their task; they can, for example, at once begin to outline and prepare the future plan of action, especially in connection with Customs tariffs.

"Finally, I want to remind you that the Diplomatic Conference convened for October 17th in Geneva with the object of drawing up a convention for the suppression of import and export prohibitions should, with the full support of the Governments, be an important first step in the execution of the recommendations of the Conference.

"I should like to add a few remarks. As the Council will remember, the Conference consisted of nearly 200 members (with about as many experts) of 50 different countries, who, with a few exceptions, were appointed by Governments and represented every possible qualification, interest, and point of view.

"Many of us must, I think, have feared, when we decided to convene a large Conference so composed, that the complex and controversial character of the economic problems and the varied composition of the Conference might well make it impossible to arrive at unanimous recommendations which would have any real force and substance in them. Fortunately, the Report which we have before us shows that any such danger, real though it was, has been successfully avoided. We have in this Report recommendations not only unanimous but enthusiastic, covering the most far-reaching principles and proposals on the central questions of economic and commercial policy. We owe this result not only, in my view, to the way in which the actual members of the Conference conducted their work, but to the fact that they felt themselves to be expressing a real and strong demand from all parts of the world.

" These recommendations are, however, the beginning and not the end of the real task to be accomplished. The President, M. Theunis, I was glad to see, in his concluding speech, reminded the members of the Conference of the personal moral engagement which each of them had assumed in voting for the recommendations to do his utmost to secure that they were adopted and put into practice.

" I am sure that we on this Council, at whose invitation the members of the Preparatory Committee worked for a year before the Conference began and at whose request the Governments of the world appointed the members of the Conference itself, will feel at least an equally strong moral engagement to do everything in our power to see that these recommendations are embodied in the actual economic and commercial policies of the Governments of the world, and particularly those which each of us directly represents on this Council.

" I have no doubt, too, that all who have taken part in the work of the Conference and its preparation will continue to give it their unabated support.

" I am glad to know, for example, that the International Chamber of Commerce is about to have its biennial Congress at Stockholm at which the problem of the best methods for carrying out the recommendations of the Conference will receive its closest attention.

" Finally, I beg to remind you that the heavy and difficult task which falls on the Economic Organisation of the League as a result of this Conference can only be successfully carried out if full support is given to this body by Governments and organisations and by all men of good will.

" Before closing this report, I feel it to be both a duty and a pleasure to express the thanks which are due from the Council to all the members of the International Economic Conference for their able, industrious and successful work. We owe an especial measure of thanks and recognition to M. Theunis, the President of the Conference, whose brilliant leadership and energy made it possible to bring a work of such extraordinary importance to a conclusion in the short space of three weeks.

" We have also a debt of gratitude towards the industrial organisations of the various countries as well as to the international organisations which have largely contributed to the preparatory work of the Conference; in particular, the International Labour Office, the International Chamber of Commerce and the International Institute of Agriculture.

" The untiring activity of the Secretariat and, in particular, of the Economic Section has certainly been a valuable asset in contributing towards the success of the Conference.

* * *

" I have the honour to propose to the Council the following resolution :

" 'The Council takes note of the Report of the International Economic Conference ;

" '(1) Tenders its most cordial thanks to the President, M. Theunis, to all members and experts present at the Conference, as well as to all organisations and individuals who have assisted in its preparation ;

" '(2) Considers that the Conference has fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations ;

" '(3) Invites, therefore, all countries and Governments to give to these principles and recommendations their close attention and the active support necessary to facilitate their adoption and application ;

" '(4) Reserves for examination at its next session the changes that might prove desirable in the Economic Organisation of the League of Nations in view of the results of the Conference, and invites the Economic Committee in the meantime to meet in extraordinary session in order to begin at an early date a preparatory study of the resolutions of the Economic Conference as regards Customs tariffs, and more particularly as regards the unification of tariff nomenclature.' "

Declarations of the Members of the Council.

Jonkheer Beelaerts von Blokland said he was happy to associate himself with the tribute which had just been paid by the distinguished Rapporteur to the work of the Economic Conference. Public opinion in his country had noted with keen satisfaction that the economic disarmament referred to in the resolutions adopted at the Conference constituted a new stage towards the consolidation of good relations between the nations, which was one of the principal guarantees of world peace.

The Government of the Netherlands would consider it to be its duty to study thoroughly the recommendations made by the Conference and the necessary measures for ensuring their execution. His Government would all the more eagerly undertake this work as it had continuously, up to the present, in spite of increasing difficulties, been inspired by the principles which formed the basis of the recommendations of the Conference. The unanimous approval given to these principles in Geneva justified the hope that the period of theoretical discussion would soon be followed by a period of practical realisation.

M. SCIALOJA said that, when M. Loucheur had taken the initiative in proposing the Economic Conference, many people had been sceptical, as people usually were when any good work was undertaken. The reply of the Conference to all the sceptics had been the best possible reply, since, in the midst of very serious difficulties, it had succeeded in taking decisions which it had been possible for the States present at the Conference generally to accept and which therefore might be usefully applied in international practice in the near future.

He believed that the Council would be unanimous in expressing its gratitude to the originator of the Conference, and to all those who had taken part. The result obtained was due, in his opinion, largely to the good organisation of the Conference and to the skill and diligence of the Economic Section of the Secretariat. Without these factors, the Conference would perhaps still be in session and would be running the risk of continuing its work to no purpose.

He had no observations to make on the proposal which the Rapporteur had submitted. The Italian Government would consider it most favourably. He would, however, be sorry if the last part of that proposal should lead the Council into what appeared to him to be a mistake. This part of the proposal contemplated an economic re-organisation of the League of Nations. M. Scialoja did not clearly understand what that might mean. In any case he would draw the attention of the Council to the fact that the Economic Organisation of the League of Nations could not be deprived of its fundamental basis, which consisted in its being a group of nations, a group of representatives of Governments to which representatives of the most important economic organisations of the world might be attached. If the Council desired to achieve results which were really useful and practical, as indicated, for example, at the end of the resolution in respect of Customs tariffs, the fact must not be lost sight of that this organisation of the League of Nations must be fundamentally an organisation of States.

He had no other observation to make. His sole object was to obtain a personal explanation as to the meaning of the words contained in the fourth paragraph of the resolution.

M. VANDERVELDE said that it was hardly necessary to emphasise the importance of the report and the conclusions which had just been submitted by Dr. Stresemann. As was mentioned in the report, the Economic Conference had been convened on the initiative of the French delegation, which was represented at that moment by its most active originator, M. Loucheur. The Conference had been presided over — and this was a great honour for Belgium — by one of the most distinguished of his own compatriots M. Theunis, to whom Dr. Stresemann had paid a just tribute. The report on the Conference was submitted by the representative of Germany to the Council under the presidency of Sir Austen Chamberlain, representative of the British Empire. Thus the majority of the great countries had most effectively participated in the preparation or presentation of the report submitted to the Council. The Council would necessarily be unanimous in adopting the conclusions of the report, and this unanimity was significant, as it did not merely indicate an agreement on principles concerning which a previous understanding had been reached.

As Dr. Stresemann had noted, the culminating point of the Conference was the moment at which it declared that the time had come to put an end to the increase of Customs tariffs and to turn in the opposite direction. In many countries before the war, and especially since the war, the tendency, which appeared to be steadily increasing, was in favour of protectionism. At a given moment, on the initiative of the French delegation, a decision had been made to convene the Economic Conference. All the Governments had sent delegates, not with an official mandate, but delegates who had been chosen by the Governments themselves. By a kind of plebiscite, the importance of which nobody would under-estimate, these representatives of all the countries of the world, representatives of business as well as of the working-classes, had declared that the time had come to move in a different direction and to substitute for the policy of an increase of protectionism the policy of a return towards free trade.

The Council was being asked to declare that the Conference " had fully carried out its task in setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world, and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations ". He was convinced that the Council would wholeheartedly adopt this conclusion. The Council was further asked " to invite all countries and Governments to give to these principles and recommendations their close attention and the active support necessary to facilitate their adoption and application ". He would vote all the more willingly for such a recommendation as, immediately following the Economic Conference, the Belgian Government had taken steps to lay the resolutions adopted before Parliament and to

declare that, so far as it was concerned, it fully adhered to these resolutions¹ and would do all in its power to ensure that the conclusions adopted by the Economic Conference were embodied in the legislation of all countries. One of the reasons why Belgium had taken this initiative and had thought it well to emphasise immediately the importance which it attached to the resolutions of the Economic Conference was that, though Belgium was a small country from the political point of view, she nevertheless figured among the six principal industrial Powers represented at the International Labour Office. Her position was such that, owing to her small size and the narrow limits of her internal market, it was necessary for her, if she were to exist independently, to be able to carry on her commerce under the regime of free trade with all the countries surrounding her and, generally speaking, with all countries.

The Council would understand that, in these circumstances, it was not by chance that those who had been first to speak on this subject were the representatives of the Netherlands, Italy and Belgium since, for these countries, the application of the resolutions adopted by the Economic Conference was, so to speak, a question of life and death. Their independence could only be maintained if the principle of economic interdependence of all nations under a system of free trade were recognised, and it was with great satisfaction that Belgium had noted the unanimity which had prevailed at the Conference in regard to this principle. He saw in that unanimity a valuable pledge of the consolidation and stabilisation of peace in Europe and in the world.

M. BENEŠ said he would like to make a short declaration on behalf of his Government.

It was one of the great merits of the Conference to have thrown impartial light on the origins, causes and nature of the present economic problems, and it was impossible sufficiently to thank all those who had participated in the Conference, particularly the Preparatory Committee and the Economic Section of the League of Nations, together with the promoters of the Conference, for the preliminary work which had been so wisely thought out, and the abundant and concise documentation of the Conference.

Many mistaken and confused ideas had been set right. More than one cause of incorrect opinions or tendencious propaganda had been reduced to its proper value. This was particularly true of ideas which had been spread during recent years in regard to the economic evils from which Europe was at present suffering and the causes from which they arose. All these ideas had, by the discussions of the Conference, been reduced to their just proportions and to reasonable, sound and exact conceptions, and had been replaced by guiding rules which were precise and scientifically justified. It was only necessary in order to be convinced of this fact to go through the Minutes of the various Committees of the Conference.

He could therefore do no more than fully subscribe to the declaration which M. Vandervelde had just made.

The cure prescribed by the Conference was certain to be slow and would require much patience, but it had the great advantage that it led into a path that was sure, though difficult.

He had the honour to inform the Council that, before leaving for Geneva, he had submitted to the Council of Ministers the results of the work of the Economic Conference. The Government of the Republic had given its full adherence in principle. He believed that certain ideas and principles formulated by the Conference, particularly in regard to the commercial policy of States, would be examined more thoroughly in order that their consequences might be fully appreciated. This investigation would be the subject of further work, but he could now, on behalf of the Government, adhere to the resolutions of the Conference and declare that it intended to develop its policy in conformity with the principles which they embodied.

• DR. STRESEMANN spoke as follows :

The International Economic Conference has achieved a very meritorious work. It is now our task to contribute our share to this work by carrying through the decisions of the Conference. We must see to it that these decisions do not simply remain a "platonic gesture", to use the term employed by the Economic Conference, but that they become realities.

• We have just heard that the Belgian Government has taken an initiative which ought to serve as an example to the other Governments. I am glad to say that I can at once join in this initiative on behalf of the German Government. I declare that the German Government gives just as full and unqualified an approval to the decisions of the Economic Conference as the Belgian Government. A few days ago, the German Government defined its attitude by taking the following decision :

¹ Text of M. Vandervelde's declaration in Parliament :

"The Government desires to declare, as from to-day, its entire adhesion to the recommendations of the Conference. It also declares itself ready to come to an understanding with other Governments, from now onwards, on the lines laid down by the Conference.

"Belgium has been the foremost in the struggle for freedom of trade. She owes it to herself to be also one of the first to endorse the resolutions affirming this freedom." — [Translation by the Secretariat.]

"The Government of the Reich approves the general report of the World Economic Conference, and concurs in its conclusions.

"It is ready to co-operate energetically in giving effect to the recommendations and suggestions of the World Economic Conference.

"The Government of the Reich considers that the guiding principles for Customs and commercial policy enunciated by the Economic Conference provide a practical means of ensuring greater freedom in international, and more especially European, economic relations ; and it agrees with the Conference that this is one of the essential conditions of the economic restoration of Europe, the progress of civilisation and the maintenance of peace.

"It therefore considers it highly desirable that the work required of the League of Nations to give effect to the Conference resolutions should at once be taken in hand and carried through."

May I express the hope that other Governments will follow the example given by the Belgian Government.

But even such decisions taken by Governments, however valuable they may be, are for the time being only platonic gestures. The initiative of the Governments depends on the initiative of the organs of the League, because the Economic Conference has conferred the competence for the execution of the majority of its decisions to these organs of the League of Nations. The Governments, therefore, must first appeal to the organs of the League to take the initiative, and to do so as soon as possible. The discussions of the International Economic Conference have drawn the attention of public to these economic problems. Let us use this attention and this will by taking up the practical work as soon as possible. Every day which passes unused is a loss, because every day the decisions taken by the Economic Conference return to the background in the public interest and the unanimity and desire for co-operation and understanding may disappear.

I am therefore particularly glad to note that the resolution which I have the honour to submit to the Council in one of its last sentences invites the Economic Committee of the League to meet at an "early date" in order to take up a particularly important and urgent task, namely, the unification of the nomenclature and classification of Customs tariffs. The work on this problem is particularly urgent, because, as far as I can see, a certain number of States are about to modernise their Customs tariffs. We should miss an opportunity for carrying through the decisions of the Conference if it were not made possible for these States to postpone the modernisation of their Customs tariffs until a uniform tariff scheme has been worked out under the auspices of the League. If States carry through this task separately, it would mean that the possibility of a large and comprehensive application of a uniform Customs tariff would be missed for years, because these States could not possibly, after a few years, modify their tariff systems again. This is also a condition for the carrying through of another recommendation of the Economic Conference, namely, that the short-term commercial treaties should be replaced by long-term treaties.

The International Economic Conference has, in one of its resolutions, pronounced a very bold phrase, namely, that the Economic Conference constitutes the beginning of a new era of international commercial relations. It is now for us to employ our good will and our energy in order to meet this hope, if in future our action is to live up to the promises of the Economic Conference.

M. COMNÈNE associated himself with the congratulations which had been offered to M. Loucheur, the promoter of the Economic Conference. The enthusiasm and faith which M. Loucheur had brought to this work had been certainly one of the deciding causes of its undeniable success. He also associated himself with the congratulations which had been offered to the President of the Conference, who had, with a skill and courage beyond all praise, guided his vessel through the rocks which more than once had threatened it with destruction. He also joined in the congratulations and thanks offered to the delegations of the Conference and to the members of the Secretariat, who had afforded valuable help.

With regard to the considerations contained in the report of Dr. Stresemann, he entirely associated himself with those concerning agriculture, particularly with what was said in the summary of the work of the Conference regarding the use of better methods of cultivation, the development of the co-operative system, and the better organisation of agricultural credit institutions. For more than half-a-century the Roumanian Government had practised this policy, and it was not without pride that she found herself to-day among the pioneer countries which had progressed in this direction.

As to the recommendations concerning commerce and industry, his Government would study the resolutions upon them with all the attention and sympathy which they deserved.

Viscount ISHII said he associated himself entirely with the words of the Rapporteur and with what his colleagues had said at the morning meeting, and particularly with their congratulations to the President and members of the Economic Conference. The Conference had achieved results surpassing expectations. The recommendations, which it had unanimously submitted, constituted, so to speak, the economic code of the moment. They would only, however, attain their real value on the day when they were carried out by the majority of countries. In this connection, the Council must take into consideration the question of a readjustment of the Economic Organisation of the League of Nations, and on this point he entirely agreed with the suggestion of the Rapporteur. In the economic

field it could not be expected that a single conference would achieve the object which the Council had in view, as M. Theunis, President of the Economic Conference, had very well said: Meetings would have to be held at certain intervals, in order that the economic problems might be studied which continuously invited the attention of the League. By this means it would be possible, perhaps, to carry out the wishes expressed by the Conference. By keeping in constant touch with these problems, it would perhaps be possible to introduce a new era in the economic life of the world. Japan attached considerable importance to international trade being subject to the principle of liberty and justice. Economic peace would reign in the world by the frank co-operation of all the peoples whose conditions were different. Economic peace constituted, so to speak, one of the bases of universal peace.

It was in that spirit that he paid a tribute to the work of the Economic Conference, which marked a new stage in the important work which the League of Nations was called upon to undertake for the welfare of humanity.

M. SOKAL said he was glad to be able to state that the Polish Government had been the first to support the proposal of the French Government for the convening of an International Economic Conference. The Polish Government was gratified that the results of the Conference had constituted an undeniable success for the League of Nations.

The Polish Government would express its point of view on the question of setting up a permanent economic organisation when that question came to be discussed at the next session of the Council. He would point out at once that, even in the Conference itself, his Government had given evidence of the great interest which it felt in this question.

Without going into details, he desired to draw attention to two facts, which were perhaps the most striking facts in connection with the Economic Conference, in which he had personally taken part. The first of these was the co-operation of the working-classes. By their loyal and sincere co-operation in the International Economic Conference, the working-classes had proved that economic peace and social peace were closely bound up with one another. The second fact had just been mentioned by the Roumanian representative, namely, the successful co-operation in regard to agriculture which proved that international co-operation between agriculturists was not only necessary but perfectly feasible.

While associating himself with the tribute that had been paid to M. Loucheur, the originator of the Conference, to M. Theunis, who, as President, had conducted its proceedings so admirably, and to the Economic Section of the Secretariat, he wished also to emphasise the great measure of assistance that had been given by the public itself. The public throughout the world had immediately appreciated the close relations existing between economic peace and the general peace of the world. The public had also realised that without close co-operation in the economic field, it was impossible to speak either of disarmament or the stabilisation of peace in the relations between the peoples of the world. He thought that all might congratulate themselves upon the result of the Conference, which certainly represented a first step in this direction. It was, moreover, obvious that the organisation proposed would, when it was set up, make it possible to consolidate economic peace on the basis of the principle which underlay all the work of the League, namely, international justice. The question at issue was that of an economic peace, which, as Viscount Ishii had just said, would mean loyal and sincere co-operation among all countries in the field of economics.

M. VILLEGAS, as the representative of a country which, with other countries of the American continent, had taken an active part in the work of the Economic Conference, wished to associate himself with the well-merited tribute that had been paid to M. Loucheur, the originator of the Conference, to M. Theunis, the President, and to the organisers of the Conference, which had been a most conspicuous success.

The Conference had unmistakably shown the effective assistance which the Latin-American countries were able to lend in the work of economic co-operation and in the consolidation of peace by means of a better comprehension of the needs of the different countries and a better distribution of raw materials.

His country had fully appreciated the scope of the work undertaken, and would certainly do its utmost to further fresh action under the auspices of the League.

The PRESIDENT said that he first desired to associate his Government and himself with the congratulations which had been offered to the French Government, to M. Loucheur in particular upon his initiative, and to the Conference upon the remarkable success which had attended its deliberations. He had great pleasure in associating himself also with the tribute paid by the Rapporteur and other speakers to the work of the President of that Conference, M. Theunis.

His Government had been favourably impressed by a first but rather hasty study of the conclusions of the Conference. And he thought he could say that probably it was in agreement with by far the greater number of them, if not with all. But the work of the Conference and its Report had covered an immense ground; the Report embodied a very large number of recommendations. Some were of a general character and of great importance; others were concerned with matters of comparative detail but requiring, in the opinion of his Government at least, careful study before it would be safe for a country, which did not wish to pledge its word and afterwards to qualify it, to give an unqualified

assent to everything which a further examination might show to be embodied in the Report. Therefore, without detracting in any way from the tributes paid to the work of the Conference, and without in any way diminishing the hopes which many had expressed as to the fruitful results that might be drawn from the Conference, he ventured to ask the Rapporteur whether he would not reconsider, not the general trend of his report or even the general trend of his conclusions, but the wording of one particular paragraph. He did not think that the third paragraph of the conclusions as now expressed could be accepted by any representative at that table who was not already authorised to pledge his Government to the acceptance, without qualification, of every recommendation great or small, whatever its character might be, to be found in any part of the Report. That seemed to him to be going too far at too early a stage, and at any rate it was further than he was entitled to pledge his Government. He therefore ventured respectfully to submit to the Rapporteur that he might perhaps be willing to substitute the following words for the third paragraph of the conclusions :

“ Commends this valuable Report and these important recommendations to the favourable consideration of all Governments.”

M. LOUCHEUR thanked his colleagues on the Council who had overwhelmed him in their excessive praise. The success of the Conference should mainly be ascribed to the masterly way in which M. Theunis had directed its proceedings and to the remarkable way in which its work had been prepared by the Secretariat and by the Preparatory Committee. The Conference's task had been enormously facilitated by the admirable reports presented to it.

M. Scialoja had pointed out that, at the beginning, the proposal to convene the Economic Conference had been received with scepticism in certain quarters. While he himself had never been sceptical, he was obliged to admit that the results had exceeded his hopes. It was almost impossible to realise unanimous agreement on subjects so intricate and difficult as those treated, but, nevertheless, agreement had been reached.

M. Loucheur was particularly gratified that the report of the Council on the results of an initiative that was due to France had been submitted by the German representative. This was an omen of good augury.

Without embarking upon a discussion which would be out of place at that meeting, he desired to say that M. Vandervelde had perhaps somewhat exaggerated the interpretation to be given to some of the decisions taken by the Conference. If, by freedom of exchanges, M. Vandervelde meant free trade, that would undoubtedly give rise to certain immense questions. If M. Vandervelde, however, meant a greater liberty of trade, then he was in full agreement. M. Loucheur wished, however, to draw the Council's particular attention to the statement made by Dr. Stresemann in his report with regard to the necessity of parallel and concerted action by the different Governments which the Conference had emphasised. In order to arrive at parallel and concerted action, the assistance of the Council of the League would obviously be required. It was by discussion in the League that agreement could most easily be found.

M. Loucheur was not authorised to make any definite declaration at that meeting on behalf of the French Government. He was in the same position as the President. The French Government was at that moment giving its very serious attention to the conclusions of the Conference, with the desire to achieve concrete results. The Council might, however, have full confidence. Having taken part in the framing of certain of the conclusions, he would endeavour to advocate, as far as in him lay, their acceptance by the French Government.

M. VANDERVELDE wished to assure M. Loucheur that he had not been so simple as to confuse liberty of trade with complete free trade, and that he interpreted the latter term in the same way as M. Loucheur. He had, however, desired to lay stress on the direction taken by the movement. For that reason he attached its full importance to a declaration and a resolution which the Conference had framed in the following unambiguous terms :

“ The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction. ”

M. LOUCHEUR thanked M. Vandervelde, and said he was in agreement with him as to the interpretation of the decision taken by the Conference. He wished to say a word in answer to the statements of M. Scialoja, to which Dr. Stresemann had referred. He believed that the question would be ripe for discussion in September, and that by then it would be possible to discuss freely the exact position of the proposed economic organisation.

Dr. STRESEMANN said that he had referred that morning to the Economic Conference as one of particular importance, and he found from the discussion which had taken place in the Council that the view which he had expressed was fully justified. In addition to the satisfaction which the honourable representative of France must feel at the general congratulations which he had received from all sides, he must be particularly gratified to hear the views of the different countries on the importance of the Economic Conference. It was of course evident that this was only a first step and that the recommendations, decisions and conclusions arrived at by the Conference could only become realities if they were supported and carried through by the various Governments. He entirely agreed with

the observations made by the representative of Italy that morning that all the organs and committees to be instituted by the League of Nations for the purpose of carrying out the work and the resolutions submitted by the Conference must be composed of representatives of Governments and also of representatives of private organisations.

In addition to purely technical questions regarding tariff schemes and Customs barriers, the Economic Conference had considered the general idea of facilitating world economic relations by a general reduction of the tariff walls which to-day surrounded the countries. There was a long road to traverse before the goal was reached, but the only way to remove all the obstacles to economic freedom and to economic relations between countries, and to alleviate the present difficulties, was to follow the path indicated by the Economic Conference.

He was a little disappointed that the President could not accept the whole text which he had submitted that morning. He did not think that the President's text was better than his, but he was prepared to accept it, as he clearly realised the different position in which the countries represented on the Council found themselves in regard to this question. There were countries whose Governments had already discussed and fixed their attitude regarding the resolutions submitted by the Economic Conference, namely, Belgium, Czechoslovakia, and his own country, which declared their full and unqualified acceptance of those resolutions. He quite admitted, however, that his text might give the impression that it took for granted the general adhesion of all countries to these resolutions, and that it did not provide for the possibility of taking out one or another of them afterwards and of choosing those that best suited the particular country. He realised the constitutional difficulties which existed for certain countries, and he did not want, by insisting on his text and consequently causing reservations to be made by certain countries, to give rise to misunderstandings. Therefore, although he was a little disappointed, he was prepared to adhere to the text proposed by the President.

The PRESIDENT thanked the Rapporteur for having sacrificed his preferences. He thought that his own text perhaps expressed more exactly what each of the Members of the Council really meant to say.

The resolutions were adopted with the following amendment accepted by the Rapporteur :

“(3) Commends this valuable Report and these important Recommendations to the favourable consideration of all Governments.”

Text of the Resolution adopted by the Council on June 16th, 1927.

The Council takes note of the Report of the World Economic Conference ;

(1) Tenders its most cordial thanks to the President, M. Theunis, to all members and experts present at the Conference, as well as to all organisations and individuals who have assisted in its preparation ;

(2) Considers that the Conference has fully carried out its task of setting forth the principles and recommendations best fitted to contribute to an improvement of the economic situation of the world and in particular to that of Europe, thus contributing at the same time to the strengthening of peaceful relations among nations ;

(3) Commends this valuable Report and these important Recommendations to the favourable consideration of all Governments ;

(4) Reserves for examination at its next session the changes that might prove desirable in the Economic Organisation of the League of Nations in view of the results of the Conference, and invites the Economic Committee in the meantime to meet in extraordinary session in order to begin at an early date a preparatory study of the resolutions of the Economic Conference with regard to Customs tariffs, and more particularly with regard to the unification of tariff nomenclature.

REPORT OF THE CONFERENCE

adopted on May 23rd, 1927

REPORT OF THE CONFERENCE

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| 1. INTRODUCTION | 3. INDUSTRY |
| 2. COMMERCE | 4. AGRICULTURE |
| 5. GENERAL RESOLUTIONS | |

1. INTRODUCTION.

1. In its resolution of September 24th, 1925, relating to the summoning of a World Economic Conference, the Assembly of the League of Nations declared itself "firmly resolved to seek all possible means of establishing peace throughout the world" and affirmed its conviction that "economic peace will largely contribute to security among the nations". It further emphasised the "necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes".

The Economic Conference has constantly kept these general directions in view. At the end of nearly nine years after the war, during which the disturbances resulting from that unprecedented catastrophe have had time to reveal their permanent effects, the Conference has used its best endeavours to discover and analyse the fundamental causes of the troubles from which the world is at present suffering, and to find remedies which, if they will not effect a complete cure, will at least afford some of the relief for which the civilised world is so insistently calling.

The Economic Situation.

2. The documentation prepared by the Secretariat under the direction of the Preparatory Committee, to which many commercial and industrial organisations in various countries and many individual experts have contributed, presents a picture of the economic condition of the world with a fullness and authority which has probably never hitherto been attained. It is only possible to refer in the briefest way to the results shown in these reports.

A general impression of the change which has taken place since the war can be gathered from the statistics which have been compiled of the world's production of foodstuffs and raw materials. The figures show that, whereas in 1925 the world's population was about 5 per cent greater than in 1913, production of foodstuffs² and of raw materials was from 16 to 18 per cent greater. In other words, production and consumption, both in total and per head of the world's population, are greater than before the war.

This increased production of food and raw materials³ has, however, not been accompanied by a corresponding increase of international commerce, for the volume of trade in 1925 was only 5 per cent higher than before the war.

3. But these statistics relate to the world as a whole. They do not represent the position of each continent. While certain parts of the world have progressed considerably more than these average figures indicate, there are other continents, notably Europe, which are far behind. The production of Europe, whose population has increased by 1 per cent, was in 1925 about 5 per cent greater than in 1913, an increase materially slower than in pre-war years, while its international trade was only 89 per cent of the pre-war volume. Further illustration of the fact that the economic difficulties are most acute in Europe is to be found in the volumes on special industries. Its most distressing symptom is the abnormal degree of unemployment which still obtains in certain countries, while its financial reactions are shown in the burdensome taxation and inadequate savings of Europe.

4. It would, however, be a mistake to assume that the economic condition of Europe could be so seriously disorganised without affecting that of the rest of the world. Other countries certainly feel the effects of Europe's reduced consuming power. There also is no doubt that the world is affected by the fact that Europe has been compelled for the time being to renounce several of the functions in world economy which had previously been hers.

¹ The report, with the resolutions, was adopted unanimously by the members of the Conference except for the abstention of the members of the U.S.S.R. delegation (who, however, declared themselves in favour of certain resolutions indicated in the Annex to Section 5—General Resolutions) and of the members of the Turkish delegation.

² Excluding China.

³ The production of finished commodities must have increased faster than these figures, since technical progress largely consists of the more complete and more economical use of raw material.

5. But neither in Europe nor in the rest of the world is the economic position uniformly good or bad. On the contrary, the depression is clearly concentrated in certain main trades. Some of these, such as the iron and steel industry, shipbuilding, and the chemical trades, were artificially expanded to meet war needs. Demand has, however, been restricted by the fact that lack of capital resulting from diminished savings has prevented economic development on the same scale as before the war. The iron and steel industry, which is largely concerned with providing fixed capital in various forms, is particularly affected by this fact. Other industries, of which the cotton industry is a notable example, have had to adapt themselves to a very considerable increase in productive capacity in distant countries. Others, again, like the coal trade — the demand for whose product has been considerably checked by alternative sources of power and by economies in the use of fuel — have suffered, while the petroleum and electric power industries have prospered. But perhaps the most extreme example of dislocation is that of shipping, for, whereas the world's total mercantile tonnage has increased by 38 per cent, the volume of goods to be carried by sea has hardly increased at all. The condition of these trades is in sharp contrast to that of many industries providing articles of immediate consumption or even of luxury. The production of motor-cars, artificial silk, and rubber goods may be taken as examples.

But though the harmful effects of the war have been concentrated on a few special trades, the depression has inevitably limited the expansion that would have taken place in other directions, for by creating complete or partial unemployment it has diminished the purchasing power of a large industrial population.

6. Moreover, the troubles of industry have an even wider repercussion, since they affect in a similar way the whole of the world's agriculture. Agriculture, which is daily becoming more industrial in its processes and methods, suffers directly from the fact that the prices of industrial products in certain countries have for some years remained relatively high, while those of agricultural products have been on a comparatively lower level. The agriculturist complains that he buys the manufactures which he needs at high prices, but sells at low prices the products of the soil. The documentation of the Conference indicates that, if agricultural prices are low and the agricultural community in many countries in a state of depression, it is not because there has been any abnormal increase in the production of foodstuffs but because the demand from certain manufacturing communities in Europe is inadequate.

7. Thus, while the documentation of the Conference serves on the one hand to pick out the darkest spots in the present situation, it also emphasises on the other the interdependence of nations, of industries and of classes. During the great war, the nations were driven temporarily to live to a quite abnormal extent on their own resources, but this condition of self-sufficiency — incomplete though it was — was only attained at the cost of hardships which tended rapidly to become almost intolerable. The attempts after the war to seek prosperity by a policy of economic isolation have, after an experience of nearly nine years, proved a failure: The opinion of the world is beginning to understand that prosperity is not something which can be enjoyed in small compartments.

Post-War Problems.

8. Immediately after the war, many people naturally assumed that the war and the war alone was the reason for the dislocation that emerged in the economic relations of individuals, of nations and of continents. A simple return to pre-war conditions seemed in the circumstances the appropriate objective of economic policy which would be sufficient to cure the current difficulties. It is an instinctive tendency of mankind to turn to the past rather than to the future and, even at a moment when an old order is being displaced by a new, to revert to former ideas and to attempt to restore the traditional state of affairs. Experience has shown, however, that the problems left by the war cannot be solved in so simple a manner.

At first, this desire to return to the pre-war regime was a wise as well as a natural instinct; for the first and most urgent task after the war was to re-start the economic life of the world which had been so sharply interrupted. Economic policy had therefore to deal with the temporary consequences of the war and endeavour to remove the obstructions to production and trade which it left behind.

9. One of the most widespread and far-reaching of these difficulties was the disorganisation of public finances and the depreciation of currencies. At the time of the Brussels Conference, only four European countries had succeeded in balancing their budgets. Now, nearly every country has established its budgetary equilibrium.

If this indispensable first stage of financial reconstruction is not yet quite complete, and if it would be too much to say that in each individual country financial stability is assured, it is at least true that, in general, a disorganised condition of public finances and fluctuations in the various currencies in relation to each other are not at the present moment a factor of primary importance in depressing trade and production.

10. Another difficulty which has played a great part in recent years has been the shortage of capital. The low level of production that followed the war left in Europe, at all events, no margin for saving. This situation has gradually changed. The recovery of production in Europe, together with a growing sense of security, has revived the process of saving and stimulated the international movement of capital. These developments have restored a more normal — though still inadequate — supply of capital, the evidence of which is the fall in the rate of interest from the excessive figures which at one time prevailed in several countries, particularly in Central Europe, to more normal levels. The rapidity with which rates have fallen is to a certain extent a reflection of the growing freedom of the movement of capital.

11. Similarly, in the case of international commerce, the conditions immediately succeeding the war did not permit of the immediate resumption of normal trading relations. Extreme forms of obstructions to trade were consequently imposed; but many of these have since been substantially removed, and liberty of trading, subject to the tariff and other barriers which are dealt with in paragraph 19, has been largely restored.

12. But while the new economic situation of Europe since the war contains some features which are fortunately of a temporary character, there are others which we cannot hope to change for a considerable time to come, and others which must be regarded as permanent. The passing away of temporary financial and economic difficulties which have hitherto almost monopolised public attention now enable us to see more clearly and to study these more deeply rooted changes in the economic situation of the world. It is hopeless to try to solve such problems by striving after the conditions of 1913. In the face of a new situation new remedies must be found.

13. Some of these permanent changes, like the difficulties previously referred to, are the direct result of the war. For example, the belligerent countries of Europe have been left with financial difficulties which have extended to many other countries and will take many decades to remove. Not only is there in many countries a heavy annual charge for war debts, but also every belligerent country will for many years have to find the funds for war pensions. These burdens are in addition to the cost of current armaments, which still weigh heavily on the finances of the nations of the world. The level of taxation in relation to resources is therefore likely to remain very much higher in Europe for a long time to come than it was in 1913.

14. Moreover, the external obligations arising out of the war have an international economic significance. Taken in conjunction, on the one hand, with the loss of their foreign investments which certain nations have suffered, and, on the other, with the new loans which many of them have raised abroad, they have changed the balance of public and private indebtedness between nations as compared with the pre-war situation. This is one of the factors that ultimately involve a change in the distribution and direction of international trade; for the ultimate settlement of net balances due from one country to another must be made by means of goods and services — although not necessarily by the transfer of the debtor's goods and services direct to the creditor.

15. Another change which has an influence on the distribution of industry, on commercial policy and on trade is a reduction in the streams of emigration. This fact, taken in conjunction with the great differences in the natural increase of various nationals, is causing changes in the relative density of population. Those countries in which there is a rapidly increasing excess of population in relation to their territory and natural resources have consequently intensified their industrial activity, and attach particular importance to the adoption by other countries of a liberal policy in relation to raw materials. So far as Europe is concerned, the emigration problem has been partially and temporarily met by an abnormal amount of migration between the various continental countries.

16. Some of the changes, however, which our survey reveals are by no means entirely to be attributed to the effects of the war. European opinion is beginning to realise that the war has hastened changes in the world situation which had begun in the early years of the 20th century. After a whole century, during which other continents had been willing to supply Europe with raw products in return for the manufactures which Europe alone was in the position to make, a careful observer in 1905 or 1906 — or possibly twenty years earlier in the case of the United States — could have perceived that a new chapter was opening in the history of these distant countries, the chief characteristic of which was the endeavour to establish manufacturing industries of their own. The war greatly stimulated this development by restricting and diverting foreign trade between Europe and the rest of the world.

17. But at the moment of facing this new situation, Europe finds herself severely handicapped. Some of her temporary difficulties have already been referred to. There are others which, in greater or less degree, affect the internal economy of various countries. Currency disorders have resulted in almost every country in a disproportion in the wage levels in various trades, in the prices of different commodities and in the relation between wages and prices, while the difficult adjustments which these conditions have involved have resulted in industrial disputes and sometimes in great social changes. These matters are outside our terms of reference, but they cannot be overlooked in an attempt to explain the causes of the present economic disequilibrium.

18. But Europe is also handicapped by problems of an international character. The effort to restore her economic position calls for the rationalisation of industry and a co-ordination between the economic efforts of various countries. It has to be recognised that the possibility of Europe being organised as an economic unit is more remote than before the war, partly because of excessive economic nationalism, which was the natural consequence of the war and is only now subsiding, and because of the economic consequences of retracing frontiers. This nationalism and these territorial readjustments have resulted in the duplication of industrial plant and in a failure to apply the principle of division of labour between the various States of Europe. The normal process of interchange between the numerous units which constitute the new Europe has been seriously interrupted. The markets which certain areas had supplied before the war have been lost to them, and everywhere it has been necessary to seek new openings for trade.

Both in its trade relations with other continents and in its own internal intercourse, Europe, under the special circumstances of the day, urgently needs greater liberty for trade and commerce. In actual fact, this liberty is still substantially less than before the war.

19. The documentation of the Conference gives an account of the tariff situation of the world. Reference has already been made to the extreme forms of obstruction which were imposed immediately after the war but have since been largely removed. Europe remains to-day, however, with its tariffs higher and more complicated, less stable and more numerous than in 1913. Moreover, Europe has failed to restore its former system of commercial treaties, and the habit has developed of putting tariffs designed for purposes of negotiation into force before those negotiations take place. If, as has often happened, these negotiations have failed to result in agreement, the obstruction remains higher than before. The tendency of the last three years has continued to be in an upward direction, and the increased level has not been balanced by those commercial treaties which have, in fact, been made.

20. Such are the main features of the situation with which the Conference has been called upon to deal and in regard to which it has put forward the recommendations contained in the reports of the various commissions.

2. COMMERCE.

INTRODUCTION.

The programme with regard to Commerce laid down by the agenda of the Conference includes a large number of subjects relating to the most important aspects of international trade.

Whatever the particular subject under discussion, it became apparent, from the facts and evidence presented to the Conference, that each nation's commerce is to-day being hampered by barriers established by other nations resulting in a situation, especially in Europe, that is highly detrimental to the general welfare.

In spite of the variety of questions raised, the diversity of theories, and the legitimate national sentiments of all those who took part in the discussion, one important and extremely encouraging fact has emerged, and, having emerged, has become increasingly manifest as the work has advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it, and resume that general upward movement which is at once a sign of the world's economic health and the necessary condition for the development of civilisation.

A second fact, which is no less important than the first, is the mutual reaction which takes place between the measures taken by the different States for the benefit of their national economic interests. The tendency to equalise the level of Customs protection in the various countries; the desire of each nation to improve its position pending trade negotiations; the impulse to take reprisals against particularly harmful foreign tariff measures; the tendency to retain for national consumption certain goods which have been rendered scarce by restrictive measures in the country of origin; the anxiety to maintain equal competitive conditions in matters of transport and credits; sometimes perhaps the mere contagious effect of example — all these circumstances cause each economic measure taken by one nation at a given time to react almost invariably on the policies of all other nations.

Thus any strictly nationalistic policy is harmful not only to the nation which practises it but also to the others, and therefore defeats its own end, and, if it be desired that the new state of mind revealed by the Conference should lead rapidly to practical results, any programme of execution must include, as an essential factor, the principle of *parallel* or *concerted* action by the different nations. Each country will then know that the concessions it is asked to make will be balanced by corresponding sacrifices on the part

of the other countries. It will be able to accept the proposed measures, not merely in view of its own individual position *but also because it is interested in the success of the general plan laid down by the Conference.*

It is, of course, well, at this point, to avoid any misunderstanding; if concerted action is indispensable, it is, unfortunately, by its very nature, comparatively slow, and nations must not allow themselves to make it an excuse for postponing the execution of the measures individually incumbent on each of them. Such measures should, on the contrary, form the firmest basis for the collective work which is destined one day to crown their efforts.

The first step has already been taken towards satisfying the desire for a return to a more normal commercial regime through the stabilisation now effected of the currency of a great number of countries whose exchange had been dislocated by the war and its consequences.

The Conference, convinced that exchange stabilisation constitutes one of the foremost conditions for the restoration of international trade, is most anxious to see further progress in this direction.

Such are the fundamental ideas which we must endeavour to instil in the minds of the people of all countries, so that, when properly informed of the nature of the task to be undertaken and fully reassured that important national interests will be respected, they may support their Governments in their worthy and arduous task of endeavouring forthwith to give effect to the resolutions of the Conference.

I. LIBERTY OF TRADING.

In harmony with what has been said above, the Conference, having been invited to consider the different problems grouped under the general heading of liberty of trading, has condemned the system of import and export prohibitions and the privileges sometimes granted to State enterprises, and has also recommended a more liberal policy in respect of foreign nationals and companies in the exercise of their commercial activities.

The proposals resulting from its deliberations are as follows:

1. Import and Export Prohibitions and Restrictions.

The Conference is convinced that a return to the effective liberty of international trading is one of the primary conditions of world prosperity.

The experience of the years since the war proves that import and export prohibitions, and the arbitrary practices and disguised discriminations which result therefrom, together with the obstacles of all kinds placed on the circulation of goods and capital, have had deplorable results by hampering the normal play of competition, by imperilling both the essential supplies of some nations and the not less indispensable markets of others, and by bringing about an artificial organisation of production, distribution and consumption.

Experience has shown, moreover, that the grave drawbacks of these measures have not been counterbalanced by the financial advantages or social benefits which were anticipated.

It is therefore important for the recovery and future development of world trade that the Governments should forthwith abandon an economic policy which is injurious to the interests both of their own and other nations.

A considerable step will have been taken in this direction if, as a result of the Diplomatic Conference convened for November 14th, 1927¹, the Governments adopt a convention based upon the draft prepared by the Economic Committee of the League of Nations on the subject of import and export prohibitions and restrictions, taking into account also the principles enumerated in the commentary accompanying the said draft and the proposals of the International Chamber of Commerce on this subject.

The aim in view would not, however, be achieved if the acceptance of this convention were merely formal, and if its provisions were rendered inoperative by export duties², the fixing of quotas, the imposition of unjustified health regulations or by any other means.

Accordingly, the Conference recommends:

(1) That the draft International Convention for the Abolition of Import and Export Prohibitions and Restrictions, as prepared by the Economic Committee of the League of Nations and submitted to the States Members of the League and to the principal non-Member States, constitutes, with its accompanying commentary, a very satisfactory basis for the Diplomatic Conference convened for November 14th, 1927¹, and should be utilised to lead to a prompt general agreement permitting the greatest possible number of nations by their concerted and simultaneous action to bring about favourable conditions for the recovery and development of the production and trade of all countries;

(2) That, moreover, the application of the principles laid down in this draft should not be indirectly defeated by such means as export duties², the fixing of quotas, health regulations or any other measures not justified by exceptional or imperative circumstances;

¹ It is anticipated that the Council will decide to call the Conference at an earlier date, namely, October 17th, 1927.

² See also III-3: Export Duties.

(3) And, further, that the application of these principles should not be indirectly defeated by restrictions on the free circulation of capital — including, for example, any system for controlling exchange which impedes the purchase or exportation of foreign exchange for the purpose of paying for goods imported.

2. Commercial Equality of State Enterprises and Private Enterprises.

The Conference has considered the fact that certain Governments, when participating in the control or management of commercial, industrial, banking, maritime transport or other enterprises, have claimed in virtue of their own sovereignty various privileges, immunities or other advantages for the benefit of these enterprises and have also at times secured the grant of similar advantages from other countries by virtue of international comity.

Noting that these advantages give the enterprises benefiting from them an unduly privileged position as compared with similar private enterprises, the Conference declares that they constitute an infringement of free competition by making a discrimination between enterprises carried on side by side.

Accordingly, the Conference recommends :

That, when a Government carries on or controls any commercial, industrial, banking, maritime transport or other enterprise, it shall not, in its character as such and in so far as it participates in enterprises of this kind, be treated as entitled to any sovereign rights, privileges or immunities from taxation or from other liabilities to which similar privately owned undertakings are subject, it being clearly understood that this recommendation only applies to ordinary commercial enterprises in time of peace.

3. Legal Provisions or Regulations relating to International Trade.

The Conference recognises that it is important that the work of the Economic Committee of the League of Nations and the International Chamber of Commerce in connection with the simplification of Customs formalities¹, the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices should be continued with a view to obtaining rapid and general solutions.

Accordingly, the Conference recommends :

That, with a view to obtaining rapid and general solutions, the Economic Committee of the League of Nations should pursue the investigations undertaken with a view to the simplification of Customs formalities, the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices, and that all the necessary measures should be taken by the League of Nations and by Governments to increase the number of accessions to Conventions already concluded or which may hereafter be concluded on these matters.

In connection with the preceding recommendation, the Conference is of opinion that the beneficial results of the Protocol of September 24th, 1923, in regard to international recognition of arbitration clauses in private commercial contracts, will not be fully realised until provision is made for ensuring the execution of such arbitral awards.

The Conference accordingly recommends :

That the Council of the League of Nations take steps to submit to States, for signature at an early date, a Protocol providing for the execution of arbitral awards in commercial questions.

4. Economic and Fiscal Treatment of Nationals and Companies of One Country admitted to settle in the Territory of Another.

The Conference considers that the granting of the legal, administrative, fiscal and judicial guarantees necessary to the nationals, firms or companies of a State, admitted to exercise their trade, industry or other occupation in the territory of another State or to settle there is one of the essential conditions of economic co-operation between nations.

Taking note of the important work already devoted to this subject by the Economic Committee of the League of Nations and by the International Chamber of Commerce, the Conference considers it desirable that their conclusions should be considered and co-ordinated by the appropriate organs of the League of Nations with the view to their submission to a diplomatic conference for the purpose of determining the best methods of defining the status of foreigners, of abolishing unjust distinctions between them and nationals, and of preventing double taxation. The purpose of this conference would be to draw up an international convention.

But, before the latter could settle the question as a whole, bilateral agreements providing for equitable reciprocity and based on the guiding principles referred to above might effect a valuable improvement in the present situation.

¹ See also II-5 : Customs Formalities.

Accordingly, the Conference recommends :

(1) That, pending the conclusion of an international convention, bilateral agreements should be arrived at, on the basis of the work already accomplished by the Economic Committee of the League of Nations and by the International Chamber of Commerce, defining the status of foreigners, not only from the economic but from the legal and fiscal points of view ;

(2) That, in the same spirit and with the same end in view, the Council of the League of Nations should prepare for the meeting of a diplomatic conference for the purpose of drawing up an international convention ;

(3) That, in drawing up these agreements and the texts to be submitted to the Conference, the following points among others should be borne in mind :

(a) Equality of treatment with regard to conditions of residence, establishment, removal and circulation, between foreigners admitted to a State and the nationals of that State ;

(b) Conditions of carrying on trade, industry and all other activities by foreign persons and enterprises ;

(c) Legal status of the same persons and enterprises ;

(d) Fiscal status of the same persons and enterprises.

II. CUSTOMS TARIFFS.

The question of Customs tariffs has two different aspects according as it is regarded from the point of view of form or from that of substance, *i.e.* of the actual amount of the import duties. The latter aspect, which is directly allied to the question of commercial treaties, will be dealt with later in connection with the general problem of commercial policy.

As regards the first class of questions, the Conference unanimously recognised the desirability of simplifying Customs tariffs as far as possible, particularly by avoiding unwarranted subdivisions ; it has proposed the establishment of a systematic Customs nomenclature, the use of which would in due course be assured by individual measures taken by the Governments and regularised by the conclusion of bilateral or multilateral international conventions ; it emphasised the urgent necessity of stabilising Customs tariffs, by the conclusion of long-term commercial treaties or otherwise ; it recapitulated rules for securing the maximum of equity in the application of duties, and defined the principles on which Customs formalities should be based ; and, finally, it passed a recommendation in favour of the execution, to the fullest possible extent, of the Convention of December 31st, 1913, establishing an International Bureau of Trade Statistics.

1. Simplification of Customs Tariffs.

The Conference considers that the enormous increase in the number of tariff headings and the excessive number of subheadings in the various items — a practice which has grown up since the war — constitute in many cases a considerable obstacle to the development of international commerce, that States should refrain from this practice as far as possible, and that consideration should be given to the difficulties it causes as regards the nomenclature the establishment of which the Conference recommends.

The Conference considers that it is above all necessary to avoid tariff subheadings which do not refer to articles of a different nature and which are merely intended to discriminate between articles of different origin.

2. Unification of Tariff Nomenclature.

The Conference considers that a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection, that it may also contribute to the exchange of goods not subject to duty, and that it constitutes a favourable basis for the improvement of trade statistics.

It is of the greatest importance for international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names, supplemented, if necessary, by their scientific designation.

Any Customs classification should be as objective as possible, lest it should become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country.

A single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and it is not the nomenclature but the rate of duty attached to each such stage or type which is the means of establishing the degree of protection which, in accordance with its own tariff system, a country desires to give to a certain product, in accordance with its conception of national economy.

In these circumstances, the adoption of a common nomenclature, as has already been shown by its application to products of special complexity, would help to remove a subject for dispute which might become an obstacle to international trade.

The common adoption of an agreed nomenclature would promote the conclusion of commercial treaties, and would prevent their application from becoming the subject of perpetual disputes.

The Conference therefore recommends :

(1) That the Council of the League of Nations should take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisation concerned, a systematic Customs nomenclature in accordance with a general plan covering all classes of goods ;

(2) That a selection be made and an order of priority fixed among the various groups of commodities so that the common nomenclature may be gradually worked out, beginning with those classes of goods for which it can most readily be introduced ;

(3) That the common nomenclature thus obtained should be submitted to the various Governments at each stage of preparation, and should then be transmitted to the producing and commercial circles concerned, and that such communication should be accompanied by an explanation of the principles underlying Customs classification and the arrangement of items ;

(4) That, if the adoption of a common nomenclature for various important branches of production seems, after the enquiry and consultation referred to in the preceding paragraphs, to be realisable before a complete nomenclature has been established, the adoption of such nomenclature should be suggested to the Governments by means of a diplomatic conference or by other means ;

(5) That, either by means of bilateral agreements or by a plurilateral convention or by any other procedure, Governments should undertake to apply this common nomenclature and bring their methods of passing goods through the Customs and of levying duties into line with it ;

(6) That the Governments which have adopted the common nomenclature should undertake not to impair its value by applying arbitrary or discriminatory specifications to the detriment of third States ;

(7) That, notwithstanding the above provisions, States should not be bound in practice to introduce into their Customs tariffs all the subdivisions of the common nomenclature, it being understood that they will conform, in the headings they use, to the rules of classification and description which will have been settled in common ;

(8) That, in order to ensure the execution of engagements entered into by States with regard to nomenclature, the League of Nations should propose such measures of publicity, information, friendly settlement or arbitration as the nature of the engagements make it possible to adopt.

3. Stability of Customs Tariffs.

One of the most formidable obstacles in the way of establishing and developing permanent and secure trade relations between countries is the instability of tariffs.

The main causes of this instability are to be sought, on the one hand, in the fluctuations of exchanges when Customs duties are payable in paper currency, and, on the other hand, in the fact that Customs autonomy makes it possible for States to modify their Customs duties even as regards States with which they have concluded commercial conventions.

The Conference recommends :

(1) That States should refrain from making frequent or sudden changes in their Customs duties on account of the instability which such changes cause in trade relations and the serious difficulties or disputes which they occasion in connection with the execution of contracts already concluded ;

(2) That in cases in which currency stability has not yet been fully secured Customs duties should be levied on a gold basis, or their incidence should be periodically adjusted on the basis of an official index of prices, the adjustment to be made only at dates fixed in advance and only when alterations of incidence represent an appreciable percentage of the duties ;

(3) That, in commercial treaties, as wide a use as possible should be made of the guarantees of stability afforded by the consolidation of duties, or in cases in which currency stability is insufficient to allow of the consolidation of the duties themselves, by any other means for adjusting the incidence of duties ;

(4) That States should conclude their commercial treaties for as long a period as possible and should follow, in this regard, the policy practised by a large number of countries before the war.

4. Application of Customs Tariffs.

The International Economic Conference does not desire to express an opinion as to the respective advantage and drawbacks of *ad valorem* and specific duties; it is nevertheless desirable that endeavours should be made to secure their equitable application in all cases.

In the case of *ad valorem* tariffs, disputes often arise concerning the true value or current level of prices in the country of origin or the valuation of similar products in the importing country.

On the other hand, in the application of specific duties, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article.

The Conference therefore recommends :

(1) That any system of enquiries or investigations in connection with the application of *ad valorem* duties or modification of tariffs shall be framed and administered with full regard for the business interests involved and for the maintenance of commercial good will among nations. Enquiries or inspections involving inquisitorial procedure or arbitrary methods shall be eliminated;

(2) That, for the application of Customs duties, States should make provision, in case of dispute, for equitable procedure by appeal to administrative or ordinary courts in which the importer can be heard or defend his interests by producing evidence or demanding such expert examination as may be necessary;

(3) That States should, by definite stipulations in their Customs legislation and possibly in their commercial treaties, endeavour to limit the difficulty of applying duties so that trade may acquire that security without which it can neither develop nor even be maintained.

5. Customs Formalities.

In accordance with analogous provisions contained in the Convention on Simplification of Customs Formalities, the Conference considers it desirable to put forward the following recommendations :

(1) Consular fees should be a charge, fixed in amount and not exceeding the cost of issue, rather than an additional source of revenue. Arbitrary or variable consular fees cause not only an increase of charges, which is at times unexpected, but also an unwarrantable uncertainty in trade.

Failing any general agreement, it would be desirable that States should, in this matter, embody mutual guarantees in their commercial treaties.

(2) The Conference, calling attention to the recommendations contained in the Annex to Article 14 of the Convention for the Simplification of Customs Formalities, recommends that an express guarantee should be added providing for a right of appeal, which could be exercised, either by the importer or by the exporter, against Customs penalties, and more especially against such penalties as might be imposed in cases of manifest clerical errors.

(3) The Conference, appreciating the full value of the progress already made in the matter of Customs regulations under the influence of the Convention relative to the Simplification of Customs Formalities concluded at Geneva on November 3rd, 1923, which is now in force in twenty-five countries,

Recommends :

(a) That the said Convention should be ratified as soon as possible by those countries which have not yet ratified it or which have not yet made arrangements to bring their regulations into line with the principles of liberty recommended therein;

(b) That its provisions should be applied by the contracting States as generously as possible.

(4) The following recommendation might be embodied in the Final Act of the Conference :

["The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations and invoices, and without desiring to anticipate the results of its investigations, desires to make it clear that it is opposed to any dishonest practices in international trade."¹]

6. Trade Statistics.

The Conference appreciates the desirability of making statistics comparable by adopting a common nomenclature, and observes the progress made in this direction under the influence of the Convention dated December 31st, 1913, which set up in Brussels an International Bureau for Trade Statistics.

¹ No Final Act was drawn up by the Conference.

It considers that international co-operation on the basis of the provisions of the said Convention will constitute an excellent preparation for the realisation of the international agreement recommended by the Conference for the adoption of a common Customs nomenclature, which, moreover, should have, when adopted, a beneficial effect on the unification of trade statistics.

The Conference therefore recommends :

(1) That the States which have signed the Convention dated December 31st, 1913, and have not yet ratified it should do so as soon as possible, and that the Governments which have not signed it should accede to it ;

(2) That the Contracting Parties should furnish the Bureau in Brussels as soon as possible with the data required for the compilation of the comparative statistics with the publication of which it has been entrusted under the said Convention.

III. COMMERCIAL POLICY AND TREATIES.

The main conclusion to be drawn from the work of the Conference in the field of commercial policy is that the time has come to put a stop to the growth of Customs tariffs and to reverse the direction of the movement by an effort made along three lines, viz. :

- (1) Individual action by States with regard to their own tariffs ;
- (2) Bilateral action through the conclusion of suitable commercial treaties ;
- (3) Collective action, by means of an enquiry, with a view to encouraging the expansion of international trade on an equitable basis by removing or lowering the barriers to international trade which are set up by excessive Customs tariffs.

With the question of import duties is bound up the question of the fiscal burdens which are sometimes imposed in addition, and which in the Conference's opinion should not aim at providing disguised protection for national production.

In a similar connection, the Conference is anxious that the free circulation of raw materials and articles of consumption should not be unduly hindered by export duties, and that such duties, whether levied to meet fiscal needs or exceptional or compelling circumstances, should not discriminate between different foreign countries.

Lastly, commercial treaties should contain the unconditional most-favoured-nation clause in its broadest and most liberal form, and the League of Nations is recommended to consider the possibility of establishing clear and uniform principles in regard to that clause and introducing common rules relating to commercial treaties.

1. Tariff Levels.

Present Tariff Situation. — The evidence before the Conference, which is contained in the documentation or in the statements made by the members of the Conference, shows that the recovery from the effects of the war has been unduly delayed and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade.

The Conference notes with satisfaction that some of the more injurious forms of obstruction that prevailed immediately after the war have been removed. To this fact must be attributed in part the recovery of world trade which has so far been achieved.

Tariffs, on the other hand, which in recent years have shown a tendency to rise, are for the most part higher than before the war, and are at present one of the chief barriers to trade. The increase in most countries is almost wholly due to higher duties on manufactured articles.

In Europe, the problem has been complicated by political readjustments which have changed many frontiers and increased the number of separate Customs units from 20 to 27, all of which strive for an independent national economy which they defend by means of tariff barriers.

The harmful effect of these tariffs upon trade has in many cases been increased through their constant changes, which have created an element of uncertainty and made it impossible to place long contracts. The nations have failed to deal with this situation by long-term treaties.

Causes. — This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war. For example, many duties have been raised as a protection against an influx of goods from countries with a depreciating currency. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability. Such attempts are a source of new difficulties for commerce and are themselves a source of uncertainty. Again, in the countries themselves whose currency has been depreciating, tariffs have been raised in order to check imports in the hope of stopping the depreciation. Finally, it has sometimes happened that, where depreciation has been followed by appreciation, Customs duties payable in paper money which had been raised during the inflation have not been correspondingly reduced when revalorisation occurred. These unstable currency conditions have to a considerable extent passed away ; but the tariff and other measures which have been specially employed to deal with them have not yet wholly disappeared.

A second reason for the present tariff situation both in Europe and elsewhere is the desire of nations by means of tariffs to keep existing or recently established industries in being by means of tariffs on a scale which they would not otherwise be able to maintain. These industries have grown to their present extent, in some cases as a result of abnormal expansion during the war, in others as a result of the desire of certain nations to attain a degree of economic independence which is not justified by their slender resources, and again in others with a view to providing employment for surplus labour for which certain former outlets are at present closed.

This increase in productive capacity has often outrun the capacity of the country to absorb the products either as regards its material needs or its purchasing power. The result has been either that the plant left idle has overweighted the costs of production, particularly when borrowed capital is involved, or that, in order to utilise the whole plant and to give some return to the capital employed, it has been necessary to turn to the foreign market and so to intensify international competition.

The desire to deal with the problem of excessive industrial capacity has usually led to an attempt to reserve the home market for home production by means of tariff barriers erected with a view to creating an independent national economy capable of producing, under the protection of the tariff wall, an increase of invested wealth and a more satisfactory return for the work of the nation. This effort to attain self-sufficiency cannot hope to succeed unless it is justified by the size, natural resources, economic advantages and geographical situation of a country. There are very few countries in the world which can hope to attain it. The artificial increase of plant which is only partly employed has meant not only uneconomical and costly production but also a wasteful use of the world's reduced capital resources. It has thus been one of the causes which has maintained an abnormally high rate of interest in recent years. It should be added that, so long as unduly high tariffs are maintained, this uneconomic use of capital continues and creates an increasing number of vested interests which resist a return to a sounder policy.

High tariffs of whatever system have, in many cases, also been imposed, in the first instance at all events, for bargaining purposes. But subsequent negotiations have in practice not resulted in adequate modifications, with the consequence that the Customs barriers have been left higher than before.

This evil has become accentuated in recent years by the post-war practice of enforcing the exaggerated rates of *tarifs de combat*, whether under the autonomous or any other system, even in advance of negotiations, with the result that vested interests have frequently grown up in the meantime which have made impossible the contemplated reductions.

In addition to arguments connected with tariff negotiations, budgetary considerations are frequently brought forward to justify very high tariffs. But a country's budgetary equilibrium rests on a very precarious foundation if it is founded on high rates of duty the effect of which is to diminish imports and consequently the Customs revenue resulting from them. Moreover, the smuggling encouraged by excessive duties has a demoralising effect.

One of the more plausible reasons which have been invoked in many cases to justify exaggerated post-war tariffs is the need of protecting industries required for national defence. But it cannot be denied that this argument, whatever its merits may be in principle, has often been abused to cover exclusively economic objectives.

Finally, the problem of population has induced certain countries which have a surplus of labour to base their Customs protection on this argument.

In enumerating the causes and ideas which are responsible for the super-protectionism of post-war years, the International Economic Conference does not attempt to pass judgment on the fundamental principles of protection and free trade respectively.

Discussion of Commercial Policy. — In contrast to ideas which have led nations into a situation which is equally harmful to their own economic life and to their international economic relations, it remains to set out the considerations which demand a return to a general policy of freer international commerce.

It is too often overlooked that the attempt to stimulate artificially industries which would not otherwise flourish in a country may check the development of those activities for which it is most naturally suited. Nations may determine, for political or other reasons, that it is essential to their safety to develop increased self-sufficiency, but it is appropriate for the Conference to point out that this has in most cases involved a sacrifice of material prosperity. In such cases, the loss is borne by consumers, who have to pay more for the products of the protected industry, and by those engaged in the industries that would otherwise have a larger possibility of export.

In analysing European commercial practices, it may be observed that the advocates of exaggerated protection have often made the mistake of imagining that it is always more advantageous to hinder imports than to increase exports; it may be observed that, if exports increase, production and national income are increased in a similar proportion; if, on the other hand, imports fall on account of tariff duties, the rise in the level of commodity prices reduces not only the possibility of export but also the consuming capacity of the country. A part only of the imports excluded by the Customs duties is replaced by home production. Excessive protection, which reduces national production and purchasing power, in the end defeats its own object.

In some cases excessive import duties, by permitting very high profits to be realised at home, give an uneconomic stimulus to exports, thus creating artificial competition on foreign markets. This practice is one of the most dangerous causes of market disorganisation and of economic conflicts between nations.

Such are some of the principal illusions and most dangerous practices which have impoverished certain nations or hindered their economic reconstruction.

The Conference recognises that the removal or substantial reduction of Customs barriers cannot be brought about suddenly without causing dislocation, but it is of opinion that Governments should immediately prepare plans for removing or diminishing by successive stages those barriers that gravely hamper trade, starting with those duties which have been imposed to counteract the effect of disturbances that are now past.

The Conference believes that, if the true results of the present system now prevalent in Europe were understood by public opinion, it would be possible for Governments to commence this process forthwith.

It is, however, clear that the process will be hastened if it can be carried out as a result of concerted action among States.

This is why the Conference is of opinion that it should make provision in its resolutions, not merely for the encouragement of bilateral agreements as nearly as possible in keeping with its doctrines, but also for the methodical examination, by the Economic Organisation of the League of Nations, of common measures which might be adopted, in the matter of tariffs, by States Members of the League and by States non-members, and also of the mutual agreements at which these States might arrive.

Although the considerations outlined above with regard to tariff levels are based on a study of the question more particularly from the point of view of industry and commerce, they may be regarded as applying also, to an extent varying according to the country and purpose in view, to agriculture.

Conclusion. — In view of the fact that harmful effects upon production and trade result from the high and constantly changing tariffs which are applied in many countries ;

And since substantial improvement in the economic conditions can be obtained by increased facilities for international trade and commerce ;

And in view of the fact that tariffs, though within the sovereign jurisdiction of the separate States, are not a matter of purely domestic interest but greatly influence the trade of the world ;

And in view of the fact that some of the causes which have resulted in the increase of tariffs and in other trade barriers since the war have largely disappeared and others are diminishing ;

The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction.

The Conference recommends :

(1) That nations should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war.

Moreover, in order to ensure that this action is continuously pursued, the Conference recommends :

(2) That States should proceed to the conclusion of commercial treaties on lines and under conditions calculated to ensure the attainment of the aims mentioned herein ;

(3) That, in future, the practice of putting into force, in advance of negotiations, excessive duties established for the purpose of bargaining, whether by means of *tarifs de combat* or by means of general tariffs, should be abandoned ;

(4) That the Council of the League of Nations should be requested to instruct its Economic Organisation to examine, on the basis of the principles enunciated by the present Conference, the possibility of further action by the respective States with a view to promoting the equitable treatment of commerce by eliminating or reducing the obstructions which excessive Customs tariffs offer to international trade.

In this enquiry, the Economic Organisation should consult with representatives of the various Governments, including non-members of the League, and also so far as necessary with the competent bodies representing Commerce, Industry, Agriculture and Labour.

The object of the enquiry should be to encourage the extension of international trade on an equitable basis, while at the same time paying due regard to the just interests of producers and workers in obtaining a fair remuneration and of consumers in increasing their purchasing power.

2. Fiscal Charges imposed on Imported Goods.

The Conference noted that the practice has unfortunately become prevalent of imposing on imported goods internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which do not apply at all or do not apply in the same degree to similar home products.

The Conference considers that States are not justified in placing such obstacles in the way of international trade by taxing foreign products more heavily than identical or similar home products.

When goods have been legally imported duty free or when they have discharged the Customs duties and accessory Customs charges, they must be regarded as duly nationalised and should be entitled after their importation to claim equal treatment with home products.

The Conference has thought it desirable to make the following recommendations as regards the above-mentioned practices:

(1) That all internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which are applied to the products of any foreign country should be applied in the same manner and in the same degree to the products of all foreign countries and to identical and similar home products;

(2) That the States should not impose consumption or other internal taxes for the purpose of giving a disguised protection to national products.

3. Export Duties¹.

The Conference is of opinion that the free circulation of raw material is one of the essential conditions for the healthy industrial and commercial development of the world.

It is therefore of opinion that any export tax on raw materials or on the articles consumed by producers which has the effect of increasing the cost of production or the cost of living in foreign countries tends thereby to aggravate the natural inequalities arising from the geographical distribution of world wealth.

The Conference therefore considers that export duties should only be resorted to to meet the essential needs of revenue or some exceptional economic situation or to safeguard the vital interests of the country and that they should not discriminate between different foreign destinations.

The Conference therefore recommends :

(1) That the exportation of raw materials should not be unduly burdened by export duties or any other taxes and that, even in cases where such duties or taxes are justified by fiscal needs or by exceptional or compelling circumstances, they should be as low as possible;

(2) That, in any case, export duties on raw materials should never be imposed for the special purpose of subjecting foreign countries using such materials to an increased burden which will place them in a position of unfair inferiority as regards the production of the finished article;

(3) That export duties on raw materials, whether levied for revenue purposes or to meet exceptional or compelling circumstances, should never discriminate between different foreign destinations;

(4) That the above principles apply equally to export duties on articles of consumption.

4. Commercial Treaties.

The tariff questions, important as they are, only cover a part of the field of the commercial relations among nations. In order to give to international commerce the necessary guarantees of free development on an equitable basis, it is also necessary that States should enter into commercial treaties for long periods guaranteeing fair and equal treatment as regards Customs duties and conditions of trading. In this respect, the great war has had a deplorable effect by destroying the system of commercial treaties by which easy and fruitful international relations were previously ensured.

The post-war system was based in the first instance on the peace treaties or on bilateral treaties concluded for very short periods.

Moreover, the collapse of certain currencies, the differences in conditions of production, and the disorganisation of prices, led various countries to abandon the principle of the most-favoured-nation clause, or to impose too many restrictions or conditions upon its application, or to limit its effects to categories of goods or to quotas.

Now, with the increasing stability of currencies and the accelerated movement towards normal economic conditions, all nations feel a growing desire for stability and a greater repugnance for any kind of discrimination.

A decisive step on the road to world reconstruction would undoubtedly be taken if the system of long-term treaties securing equality of treatment were restored.

For this purpose, it is highly desirable that the widest and most unconditional interpretation should be given to the most-favoured-nation clause. This is not inconsistent with the insertion in any particular treaty of special provisions to meet local needs, so long as such provisions are clearly expressed and do not injure the interests of other States.

¹ See also I.1: Import and Export Prohibitions and Restrictions.

On the other hand, it is undeniable that the conclusion of such commercial treaties is made difficult by the variety of conceptions of the bases of such treaties. Some countries, moreover, have considered that tariffs and contractual methods are interdependent, so that unduly high tariffs have often reacted on methods of treaty-making, and the latter in turn have often caused tariffs to be raised even higher.

The Conference regards these facts as necessitating immediate action by Governments with a view to concluding treaties as comprehensive and permanent as possible, and in order to improve and standardise the methods of treaty-making themselves.

(1) The Conference therefore considers that the mutual grant of unconditional most-favoured-nation treatment as regards Customs duties and conditions of trading is an essential condition of the free and healthy development of commerce between States, and that it is highly desirable in the interest of stability and security for trade that this treatment should be guaranteed for a sufficient period by means of commercial treaties.

(2) While recognising that each State must judge in what cases and to what extent this fundamental guarantee should be embodied in any particular treaty, the Conference strongly recommends that the scope and form of the most-favoured-nation clause should be of the widest and most liberal character and that it should not be weakened or narrowed either by express provisions or by interpretation.

(3) The Conference recommends that the Council of the League of Nations should entrust the Economic Organisation to undertake, in connection with the enquiry provided for in the preceding recommendations, all the necessary discussions, consultations and enquiries to enable it to propose the measures best calculated to secure either identical tariff systems in the various European countries or at least a common basis for commercial treaties, as well as the establishment, for all countries, of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to Customs duties and other charges.

(4) The Conference, however, considers that the fact that certain discussions, consultations and enquiries may be taking place as contemplated in these recommendations should not in any way be permitted to retard commercial negotiations now pending or to dissuade States from entering upon such negotiations.

The Conference has further considered the question of the best means of ensuring that full effect be given to the stipulations of commercial treaties. While recognising that, in the main, confidence must be reposed in the good faith of the contracting parties to fulfil their engagements, it is also clear that the possibility of recourse to a suitable arbitral or judicial procedure may often furnish the means of avoiding or settling difficulties whether of interpretation or of application.

The Conference therefore recommends :

(5) That the various States should consider the desirability of providing in their commercial treaties for the reference of disputed questions as to the interpretation or carrying out of the treaties to arbitration or preferably to the Permanent Court of International Justice.

In this connection, the Conference notes that the present Statute of the Court authorises it to appoint experts or expert bodies to make enquiries or to give an expert opinion on any matter. It has been further suggested that, if at any time the amendment of the Statute of the Court is contemplated, the opportunity might be taken of enabling the Court to establish a special section or special procedure for dealing with commercial questions. The Conference does not feel that it is within its competence to pronounce on the merits of this suggestion, but it desires to pass it on to the Council of the League of Nations for consideration.

IV. INDIRECT MEANS OF PROTECTING NATIONAL TRADE AND NATIONAL NAVIGATION.

Although having less immediate influence on the development of trade than the question of import and export prohibitions or that of Customs tariffs, the problems appearing under the above head are of considerable importance and their solution in the direction desired by the Conference would be of such a nature as to aid considerably the efforts made in other fields.

In the course of this part of its work, the Conference was bound to encounter the question of direct and indirect subsidies to trade, the question of dumping and the question of anti-dumping legislation. In this regard, however, it was confronted by such a variety of opinions, supported by so many different arguments, that the Conference has had to be satisfied with enlightening public opinion as to the true nature and inevitable consequences of such practices and measures.

1. Subsidies, Direct or Indirect.

During the years which followed the war, a marked extension of tariff barriers took place in various countries, accompanied by an increasing tendency to introduce State subsidies. This was done more particularly in an indirect way, by granting credits or guarantees which aimed at assisting the home industries and their export trade for a more or less protracted period, in view of the abnormal economic conditions prevailing throughout the world.

The fact that subsidies are in certain circumstances held to interfere less with the liberty of trading than Customs tariffs does not make it any the less necessary to lay stress on the hidden dangers inherent in this means of encouraging production and exportation. The greater the number of countries which have recourse to this practice, the more difficult will it be for other countries to refrain from following their example. Thus the attempt to restore foreign trade to normal conditions meets with a real obstacle in the shape of subsidies.

The Conference draws the attention of the various Governments to the true nature of direct or indirect subsidies, which are merely a palliative, and expresses the hope that Governments will, so far as possible, refrain from having recourse to them.

2. Dumping and Anti-Dumping Legislation.

The Conference recognises that the question of dumping is of particular importance to those countries which have adopted a liberal tariff policy, and lays stress on the fact that, although the consumer may secure, as a result of dumping, certain transitory advantages as regards price, there can be no doubt that dumping creates a state of insecurity in production and commerce, and can therefore exercise a harmful influence quite out of proportion to the temporary advantage resulting from cheap imports.

The same applies to dumping employed by powerful firms or commercial combines in one or more countries to destroy the similar industries of another country, and thus to enable them afterwards to raise the price on the market of that country.

It is certain that dumping is facilitated by the existence of high import duties in the countries practising it, and that it may lead to the introduction of high defensive duties in the importing country.

The Conference considers that dumping must be reduced to a minimum, and that in order to attain this object every possible measure should be taken to establish universally stable conditions of production and commerce and to reduce the excessive Customs tariffs of exporting countries.

The Conference recommends, however, that importing countries which find themselves compelled to take defensive measures against dumping should not resort to excessive, indirect or vexatious measures which would have a more far-reaching effect than is intended.

3. Discrimination arising from Conditions of Transport.

The Economic Conference, having on its agenda the investigation of the indirect methods of protecting national commerce and national navigation and particularly the question of the discrimination established by the system of transports¹, has not, as regards the latter point, to deal with general questions of transport as such but only to consider them in so far as they affect international economic life.

From this point of view, transport agents, whether they are concerned with transport by rail, maritime transport, transport by internal navigation, road transport or aerial transport, are merely the servants of trade. They do not create traffic and they are subject to the influence of the general economic situation rather than exercising an influence upon it. The prosperity of agriculture, industry and commerce alone is able, by providing traffic, to permit them to attain the full return on their undertakings and puts them in a position to give, in return, the maximum of service. Similarly, the greater part of the hindrances from which transport is suffering do not originate in the transport system itself; on the contrary, transport is subject to the influence of formalities, delays or precautions of various sorts inspired by administrative, police, financial or political-economic considerations, the extent and effects of which transport agents can only submit to without influencing them. The smaller the importance the authorities concerned consider it possible to attach to these considerations the more will transport itself benefit. All that can be asked of transport agents is that their services, on all transport routes, shall be adequate for the needs of trade, shall be provided without prejudicial discrimination between different nationalities, and that their regime shall, as far as possible, not be such as to place any obstacle in the way of international trade, but shall, on the contrary, promote the free flow of traffic.

¹ The details of a great number of problems have been submitted for consideration in the documents laid before the Conference, particularly in the memorandum on Trade Barriers of the International Chamber of Commerce. The Conference considers that this memorandum in particular should be brought to the knowledge of the competent technical organisations of the League of Nations, and it is confident that those organisations will study the conclusions given in it with the most lively desire to give them the effect desired by international commerce.

The Economic Conference has taken note of the efforts already made by various States, notably in the Organisation for Communications and Transit of the League of Nations, to remove so far as possible conditions and discriminations liable to disturb the normal operation of transports.

Such is the principal aim of the General Conventions on the Freedom of Transit and on the regime of international navigable waterways concluded at the Barcelona Conference in 1921 and of the general Conventions on the international regime of railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923. It is inevitable that the texts of these Conventions should be open to criticism from various quarters and should not be able to satisfy simultaneously the most conflicting national contentions on all points. Such as they are, however, they represent a considerable step forward; their full and loyal application on as universal a basis as possible would establish a stable system of liberty and equitable international treatment of transport within the limits which have been judged reasonably possible.

It would not seem opportune for the Conference to revert to the sometimes very delicate discussions — notably with regard to the coasting trade, railway rates, etc. — which took place at the meetings which resulted in the satisfactory conclusion of these Conventions; but, although a fresh examination of the contents of these Conventions does not appear advisable, attention should be drawn to the fact that, particularly as regards the Conventions of 1923, which were signed by a very large number of States, the progress of ratification and accession has been singularly slow. It would be most regrettable from the point of view of international trade if even those Governments which signed these Conventions did not ratify them as soon as possible and if the greatest possible number of States did not accede thereto. In the majority of cases, the Governments themselves have made every effort to hasten these ratifications, but the application of the Conventions and the essential ratifications themselves can only be ensured if the public opinion concerned in the various countries shows a desire that this work should be carried through. The Economic Conference would perform a useful task if it addressed a fresh appeal in this connection to the Governments concerned and to the competent circles in the different countries.

The same appeal might well be made to accelerate the putting into force of the Convention on Customs Formalities concluded at Geneva in 1923¹. This Convention was not concluded for the purpose of facilitating transports, but its effects would nevertheless be particularly valuable for the free play of communications. Every simplification of Customs formalities, again, reduces the field in which discriminations prejudicial to trade and to transport itself can be exercised.

The application of such general conventions is no doubt insufficient in practice to eliminate in the sphere of transport all discriminations and all obstacles to international trade. In each branch of transport and with regard to a large number of special questions, direct and continuous co-operation between the experts responsible in the different countries is necessary, and indeed has been established in a satisfactory manner. To quote only a few examples: the International Chamber of Commerce comprises persons belonging to the commercial circles concerned in transport questions; the International Union of Railways permanently keeps in touch with one another the railway administrations of Europe and some of those of Asia; while the Organisation for Communications and Transit of the League of Nations, through its Advisory and Technical Committee and its specialised Committees on transport by rail, inland navigation, ports and maritime navigation, and road traffic, establishes co-operation particularly between official Government circles. Close touch is maintained between these various bodies and also with the River Commissions of the international rivers of Europe and the great international organisations of undertakings concerned in maritime navigation and aerial navigation.

It is not possible to mention here all the work already done by these various organisations, or still in progress, which is of great importance for the removal of obstacles and measures of discrimination detrimental to international trade. It is worth drawing attention, however, to the efforts made with a view to promoting the circulation of rolling-stock and to standardising railway nomenclature in order to facilitate the negotiation and conclusion of agreements for the introduction of international railway tariffs; similarly, steps are being taken to ensure the maximum of co-operation between the various modes of transport and the development of combined tariffs. Attention should also be drawn to the difficult and particularly important task which falls to the River Commissions in laying down measures for the purpose of facilitating the passage of the frontier on large international waterways and of simplifying formalities of all kinds detrimental to the free movement of navigation and to the full utilisation of river ports. Lastly, the next General Conference on Communications and Transit, which is to meet at Geneva in August 1927, and at which various Organisations mentioned above will be represented, will no doubt consider the best means of co-ordinating the numerous investigations in progress. In particular, on the initiative of the last Assembly of the League of Nations, and in conformity with a plan drawn up by the Advisory and Technical Committee for Communications and Transit, it proposes to begin to apply a plan for the systematic collection and distribution of general information on communications and transit of a nature to establish between the administrations concerned in European countries and those of

¹ See also II-5: Customs Formalities.

non-European countries a collaboration which, generally speaking, is lacking at present. The data which will thus be collected, summarised and published and which relate in particular to international agreements of a public nature in regard to transports, the administrative and legislative treatment of transport in the various countries, important works in course of construction or completed, general statistics of traffic, and the main changes in freights and tariff systems, will be of great interest if they are widely circulated to the circles concerned with transport questions and to those engaged in commerce. They will also make it possible for the League of Nations, when organising international co-operation in matters of transports, to deal more fully with practical details and to ascertain, with greater precision than the general texts of the Conventions allow for, the position with regard to the practical application of the principles embodied in these Conventions, the possibilities of extending this application, and the difficulties which may be encountered by international transport.

The Economic Conference cannot, of course, attempt to substitute itself for the various international organisations dealing with transport questions and examine afresh the problems which engage their attention ; it can but approve their efforts and urgently request all the authorities concerned to lend them their assistance in the general interests of international trade.

For these reasons,

(1) Whereas the general conventions on the freedom of transit and on the regime of navigable waterways of international concern concluded at the Barcelona Conference in 1921 and the general conventions on the international regime of railways and on the international regime of maritime ports concluded at the Geneva Conference of 1923 have taken full account of the complexity of the question, and whereas their general application would ensure for transports a stable system of freedom and equitable international treatment without unfair discrimination, care being taken to leave to the tariffs sufficient flexibility to permit of their being adapted as closely as possible to the complex needs of trade ;

Whereas the widest possible application of the General Convention on the Simplification of Customs Formalities concluded at Geneva in 1923 would certainly facilitate the free operation of transport ;

The Conference recommends :

That the States which have not yet ratified the above-mentioned General Conventions of Barcelona and Geneva should proceed to do so as soon as possible and that as many States as possible should accede thereto ;

(2) Whereas the best results are to be anticipated from the activities and co-operation of the great international organisations which permanently study transport questions, in particular :

The Organisation for Communications and Transit of the League of Nations through its Advisory and Technical Committee for Communications and Transit, which provides for liaison between the Governments ;

The International Chamber of Commerce, which comprises representative persons belonging to the commercial circles concerned ;

The International Union of Railways, which unites the railway administrations of Europe and part of Asia ;

The River Commissions of the international rivers of Europe and the various international organisations representing the circles concerned in maritime and aerial navigation ;

The Conference recommends :

That the close co-operation already established will continue in future so as to take account of the various aspects of the problems raised by international traffic and so as to co-ordinate the solutions proposed, and that all the authorities concerned will support the efforts of these organisations ;

(3) Whereas its attention has been drawn to certain forms of indirect discrimination between flags in maritime navigation which may be facilitated by the absence of uniform rules governing the construction and equipment of ships from the point of view of safety at sea ;

Whereas it is desirable, in the interests both of the safety of life and property at sea and of international overseas trade, that uniform rules governing the construction and equipment of vessels in so far as they concern safety should be embodied in an international agreement and that all maritime countries should reciprocally accept such rules ;

The Conference :

(a) Notes the fact that measures are now being taken to introduce uniform international rules on this point ;

(b) Recommends that, pending the general adoption of these rules, maritime countries should endeavour to conclude agreements recognising the equivalence of measures of safety taken on board their ships.

3. INDUSTRY.

I. THE INDUSTRIAL SITUATION.

During the part of its discussions which especially concerned industry, as well as in the general debate on the economic situation, the Conference naturally devoted most of its attention especially to an analysis of the major causes which have adversely affected the basic world industries and of the remedies which could be suggested.

The difficulties with which the industries of principal international importance are faced in certain parts of the world are not mainly due to an inadequacy either of scientific invention or of raw materials. The chief difficulties now experienced result from the facts that in certain countries sufficient capital has not been available or that, with existing restrictions and under present conditions, the available markets are inadequate for the productive capacity in a number of the principal industries. This maladjustment results from many causes and takes various forms. There is a maldistribution of plant and equipment. In those countries which participated actively in the war, plant in many industries was increased for military purposes beyond the scale of what is required in peace; in other countries, new plant was installed to produce goods which could not be imported during the war; and the experience of war deprivations has developed a desire on the part of a number of nations to make themselves self-sufficing. Moreover, the general impoverishment of Europe immediately after the war lessened savings and handicapped industry by reducing at once the purchasing power of its clientele and the possibility of financial assistance from European money markets.

Other causes have tended to a new distribution of manufacturing equipment; certain discoveries, for instance, have brought about a change in the use of raw materials or in the utilisation of sources of energy and a displacement of industrial centres. The normal development of certain repair and finishing industries in partially industrialised non-European countries, and the effort in Europe itself on the part of certain nations with rapidly growing populations to enlarge their industrial equipment with a view to providing work for an ever-increasing number of individuals, have operated in a like direction.

The war indirectly increased the influence of these causes of instability. It intensified the desire of various nations to work up in their own territories the raw materials they produced; it augmented the number and the magnitude of the obstacles placed in the way of the movement of goods by tariffs and prohibitions and of the movement of persons by immigration laws, by passport regulations and by restrictions on the right of establishment in the case of foreigners. Finally, the changes made in the structure of the economic organism as a result of alterations in frontiers, the laborious readjustment of international relations, and the insecurity of the financial and monetary situation have further retarded or impeded the efforts by which the European nations have endeavoured to restore order in their industrial economic life.

Of these causes, some are no longer operative, though their effects may last after them. The danger of great immediate additions to equipment in industries where plant is already excessive is slight in the principal industrial countries; the will to save is being revived, and the supply of capital grows steadily; exchange fluctuations are now confined to a few currencies and within much narrower limits than heretofore.

Other causes which were noticeable before the war, particularly the growth of industries in hitherto only partially industrialised countries, must be considered as permanent and in the new world situation susceptible of direction only within very restricted limits.

But it is on a third category of factors that the Conference, in accordance with its agenda, has had to concentrate its attention, namely those which by their nature can, in existing circumstances, be appropriately modified. Of these the most important are the restrictions and control of the movement of goods and persons and, above all, those which result from tariff and commercial policy. Certain of these problems have been before the Commerce Committee, and we need not therefore elaborate further this aspect of the problem. It is enough now to say that, owing to the growing facilities for transport and the constantly increasing number of raw materials required for industrial production, the natural development of industry is towards greater international intercourse and larger international enterprises.

II. GENERAL CONSIDERATIONS.

This report does not attempt to cover again the same ground as the documentation, which has caused great interest at the Conference, with regard to the situation and difficulties in different industries, but is confined to the few principal questions on which the discussions of the Conference have been concentrated. The Committee took as its central problem the question of how costs of production, and therefore prices, could be reduced, with the object of securing a better equilibrium between productive capacity and demand without adversely affecting the interests of the consumer or the worker. In particular, with this object in mind, it considered: (1) the question of rationalisation in its various aspects and in this connection, (2) international industrial agreements, and (3) the collection and exchange of information with regard to industrial conditions. It has been mainly preoccupied with the European situation, for it is that situation which at the moment presents the

gravest difficulties and calls for the most careful consideration. The problems which arise and the recommendations submitted by the Conference are not entirely new. The need at the present time is to accelerate a process of evolution which has been operative for many years. That need has been intensified by the events of the last decade. To this end the moral prestige of the League, which has taken up these problems, the preparatory work which has been carried on for many months with the aid of economists of the highest standing, and the interesting and full discussions of the Conference itself have certainly attracted the attention of the public and have imparted a new energy and impulse.

III. RATIONALISATION.

The first of these problems is that of rationalisation, by which we understand the methods of technique and of organisation designed to secure the minimum waste of either effort or material. It includes the scientific organisation of labour, standardisation both of material and of products, simplification of processes and improvements in the system of transport and marketing.

The Conference has unanimously recognised the benefits of rationalisation and of scientific management, and it asserts the urgent need of greater, more far-reaching and better co-ordinated efforts in this field.

While conscious of the advantages of rationalisation, both in the lowering of costs of production and of prices and in expanding markets, the Conference has not been blind to the temporary unfavourable consequences which its application may involve in the case of certain categories of workers. Though, both directly and as consumers, the latter should in due course obtain their share of the advantages of a better organisation of production, they may be adversely affected for a time by temporary unemployment while readjustments are being made. In the following resolutions, special account is taken of the legitimate anxiety which may thus be occasioned.

In view of the importance of this question of rationalisation, the Conference considers it desirable that the Economic Organisation of the League should keep in touch with the institutions specially concerned with this subject, and should include a note of its development in its reports on industrial conditions.

Resolutions :

The Conference considers that one of the principal means of increasing output, improving conditions of labour and reducing costs of production is to be found in the rational organisation of production and distribution.

The Conference considers that such rationalisation aims simultaneously :

- (1) At securing the maximum efficiency of labour with the minimum of effort ;
- (2) At facilitating by a reduction in the variety of patterns (where such variety offers no obvious advantage) the design, manufacture, use and replacement of standardised parts ;
- (3) At avoiding waste of raw materials and power ;
- (4) At simplifying the distribution of goods ;
- (5) At avoiding in distribution unnecessary transport, burdensome financial charges and the useless interposition of middlemen ;

Its judicious and constant application is calculated to secure :

- (1) To the community greater stability and a higher standard in the conditions of life ;
- (2) To the consumer lower prices and goods more carefully adapted to general requirements ;
- (3) To the various classes of producers higher and steadier remuneration to be equitably distributed among them.

It must be applied with the care which is necessary in order, while at the same time continuing the process of rationalisation, not to injure the legitimate interests of the workers ; and suitable measures should be provided for cases where during the first stage of its realisation it may result in loss of employment or more arduous work.

It requires, further, so far as regards the organisation of labour in the strict sense of the term, the co-operation of employees, and the assistance of trade and industrial organisations and of scientific and technical experts.

The Conference accordingly recommends that Governments, public institutions, trade and industrial organisations or public opinion as the case may be :

(1) Should lead producers to direct their endeavours along the lines indicated above, and, in particular :

- (a) To encourage and promote in every way the investigation and comparison of the most adequate methods and most practical processes of rationalisation and of scientific management, and of the economic and social results obtained thereby ;
- (b) To apply these endeavours in industry, agriculture, trade and finance, not merely to large but also to medium and small undertakings, and even to individual workers and handicraftsmen, bearing in mind the favourable effects which they may have in household organisation and amenities ;
- (c) To give special attention to measures of a kind calculated to ensure to the individual the best, the healthiest and the most worthy employment, such as vocational selection, guidance and training, the due allotment of time between work and leisure, methods of remuneration giving the worker a fair share in the increase of output, and, generally, conditions of work and life favourable to the development and preservation of his personality ;

(2) Should carry on systematically on an international as well as a national basis the standardisation of materials, parts and products of all types which are of international importance, in order to remove the obstacles to production and trade which might arise from a purely national policy of standardisation ;

(3) Should undertake on an international basis investigations for ascertaining the best methods employed and the most conclusive results obtained in every country in the application of the principles set out above, utilising the investigations already made in certain countries and encouraging the exchange of information among those concerned ;

(4) Should spread in all quarters a clear realisation of the advantages and the obligations involved in rationalisation and scientific management as well as of the possibility of their gradual achievement.

IV. INTERNATIONAL INDUSTRIAL AGREEMENTS¹.

The Conference has examined with the keenest interest the question of industrial agreements, which have recently considerably developed and have attracted close attention from those sections of the community whose interests are affected by them and from the public opinion of the various countries.

The discussion has revealed a certain conflict of views and has occasioned reservations on the part of the representatives of different interests and countries. In these circumstances, the Conference has recognised that the phenomenon of such agreements, arising from economic necessities, does not constitute a matter upon which any conclusion of principle need be reached, but a development which has to be recognised and which, from this practical point of view, must be considered as good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest.

The Conference considers that the field of operation for agreements, both national and international, is usually limited to branches of production which are already centralised and to products supplied in bulk or in recognised grades, and that, consequently, they cannot be regarded as a form of organisation which could by itself alone remove the causes of the troubles from which the economic life of the world and particularly of Europe is suffering.

Nevertheless, in certain branches of production they can — subject to certain conditions and reservations — on the one hand, secure a more methodical organisation of production and a reduction in costs by means of a better utilisation of existing equipment, the development on more suitable lines of new plant, and a more rational grouping of undertakings, and, on the other hand, act as a check on uneconomic competition and reduce the evils resulting from fluctuations in industrial activity.

By this means they may assure to the workers greater stability of employment and at the same time, by reducing production and distribution costs and consequently selling prices, bring advantages to the consumer. It is generally recognised that in this way agreements may in some cases be useful not only to producers but also to consumers and the community in general.

Nevertheless, the Conference considers, on the other hand, that such agreements, if they encourage monopolistic tendencies and the application of unsound business methods, may check technical progress in production and involve dangers to the legitimate interests of important sections of society and of particular countries.

It consequently appears to the Conference that it is entirely necessary that agreements should not lead to an artificial rise in prices, which would injure consumers, and that they should give due consideration to the interests of the workers. It is further necessary that

¹ The members of the U. S. A. delegation, while not opposing, did not feel able to participate in the vote on this subject.

they should not, either in intention or effect, restrict the supply to any particular country of raw materials or basic products, or without just cause create unequal conditions between the finishing industries of the consuming and producing countries or other countries situated in the same conditions. Nor must they have for their object or effect any reduction in the economic equipment which any nation considers indispensable, nor should they stereotype the present position of production, whether from the point of view of technical progress or of the distribution of industries among the various countries in accordance with the necessities imposed upon each by its economic development and the growth of its population.

* * *

The Conference considered the question whether there was ground for establishing a special juridical regime and a system of supervision over agreements.

The documentation resulting from the labours of the Preparatory Committee shows that specific legislative or administrative measures in this direction have been taken by a limited number of countries only and that the measures adopted are widely divergent both in conception and form.

The Conference recognised that, so far as regards agreements limited to the producers of a single country, it is for each Government to adopt such measures in regard to their operation as it may think advisable. It agreed, however, that it is not desirable that national legislation should place an obstacle to the attainment of the benefits which agreements might secure by exhibiting a prejudice against them as such.

So far as regards international agreements, it is generally recognised that the establishment of an international juridical regime is impossible in view of the divergencies between the measures which various countries have considered it necessary to take in the matter, and on account of the objections of principle which a number of States would feel on national and constitutional grounds to any such system. It has, moreover, been pointed out that the laws and regulations and the tribunals of each country have jurisdiction not only over national agreements but also over international agreements in so far as they involve operations within the national territory.

On the other hand, it is desirable that voluntary recourse by parties to agreements to arbitral bodies should become general, subject to guarantees of the high competence of the latter in economic matters and their sense of the general interest.

From a more general standpoint, the Conference considers that the League of Nations should closely follow these forms of international industrial co-operation and their effects upon technical progress, the development of production, conditions of labour, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various Governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. The Conference is of the opinion that the publicity given in regard to the nature and operations of agreements constitutes one of the most effective means, on the one hand, of securing the support of public opinion to agreements which conduce to the general interest and, on the other hand, of preventing the growth of abuses.

V. INDUSTRIAL INFORMATION.

It will be seen from the above analysis that the Conference attaches special importance to the spirit which animates the leaders of industry and those who are responsible for its organic development. The provision of precise, complete and up-to-date information concerning production can only tend to develop in them a sense of the social service which their functions involve. At the same time, it should help the public to form a collective opinion which is at once well informed and reasonable. It is equally important to the industrialists themselves that they should be kept fully and accurately informed both of the development of their own industries and of the broader changes which take place in general industrial activity.

The Conference has had before it a series of monographs on certain industries of basic importance which has enabled it to obtain an accurate view of the character of the present situation of industry in the world. These memoranda, whose compilation has been rendered possible by the readiness with which industrial organisations in different countries have collaborated in the work and by the care and time which they have devoted to it, and also the monographs written by economists of wide reputation and those submitted to the Conference by a number of its members summarising the position and views of several of the delegations, should not be held to represent the last word in the questions under review. They should be regarded as a starting-point for the studies which it is hoped will be conducted in the future. It is essential to encourage the work already in progress, to promote, as far as possible, a common policy with reference to the manner in which information concerning industrial activity is compiled, and to urge both the national statistical bureaux and the Economic Organisation of the League to devote even more attention than heretofore to the collection of statistical data which shall be of use not only to Governments and experts but also to the business world.

The Conference decided that the information to be collected should cover all the principal industries of every country, but especially and in the first place those industries which are of world importance.

As to the channels through which these statistics might be collected and communicated, the Conference makes no specific recommendations to Governments. It considers, however, that accurate and internationally comparable data can hardly be collected without the assistance of the competent organisations of the industries concerned. While emphasising the value of comprehensive information, the Conference desires to draw attention to the necessity of adequate measures being taken to secure secrecy of individual returns. Finally, while urging the League to encourage the conclusion of international agreements as to the terms employed, the scope, and the methods of compilation of industrial statistics, the Conference is anxious to link up this work of systematisation with the similar work which may be undertaken with a view to the unification of Customs nomenclature.

Resolutions.

I. The Conference considers that :

(1) Effective and co-ordinated production can only be achieved in the light of information of a general character, but precise and up-to-date, concerning raw material supplies, output, stocks, prices, wages, employment, etc. ;

(2) It is desirable that these current data should make it possible to compile for each country with sufficiently developed industries quantitative indices of its industrial production ;

(3) Such information facilitates a proper adjustment of supply to demand and the laying-down of a policy of production counteracting the effects of fluctuations of commercial activity.

In this connection, attention may be drawn to the resolutions which have already been adopted by the Economic Committee of the League of Nations.

The Conference accordingly recommends :

(1) That statistics of this kind should be obtained regularly, for each country, both for the basic world industries and also, in order to render possible the compilation of quantitative indices of national production, for the chief industries of each country ; and that this information should be obtained, in as far as possible, in collaboration with competent organisations ;

(2) That Governments should periodically take complete industrial censuses.

II. The practical value of such statistics is dependent on the comparability and uniformity of the data furnished by each State.

It is desirable that adequate publicity be given to this information, and that it may be internationally co-ordinated and employed.

The Conference accordingly recommends :

(1) That the Economic Organisation of the League of Nations should take all suitable measures so that Governments, in collaboration with the chief industries, should arrive at international agreements with reference to the definition of the terms, the methods employed, and the scope of the statistics ;

(2) That the Economic Organisation of the League of Nations should collate the information provided referring to sources and supplies of raw materials, production, stocks, prices, etc., and the International Labour Office that concerning wages, hours of labour, employment, etc. ;

(3) That the Economic Organisation of the League of Nations should arrange for the compilation of :

(a) Statistical and general reports of an international character with reference to the organic development and the general conditions obtaining in different branches of production, beginning with the basic world industries ;

(b) Special studies concerning the sources of supply of certain types of raw materials, more especially of those a world shortage of which in the future may be anticipated ;

(c) Reviews, similar to those which have already been published, of the changes which take place in world production and trade.

4. AGRICULTURE.

I. INTRODUCTION.

Agriculture is the occupation of the majority of workers throughout the world ; its various products represent in value the greater part of human labour, and the exchange of its products against industrial products forms, indeed, the basis of world trade.

The agricultural population remains for humanity a reservoir of energy capable of preserving the nations from the rapid human wastage which may result from any excessive growth of industry.

The quantity of foodstuffs and raw materials produced by agriculture is one of the factors which determine the maximum limit of industrial development.

The interdependence existing between nations is no less close between the main classes of occupations — agriculture, industry and commerce — and it would be vain to hope that one class could enjoy lasting prosperity independently of the others.

Agriculture is at present hampered in the complete fulfilment of the economic role assigned to it by a general depression varying in degree but affecting a large number of countries on which the world depends for its supply of foodstuffs and raw materials.

The economic depression in agriculture is characterised by the disequilibrium which has arisen between the prices of agricultural products and those of manufactured products ; as a result, agriculturists in a great number of countries no longer receive a sufficient return for their labour and on their capital. This depression is aggravated in many countries by the difficulty of obtaining credit on normal terms and by the great increase in fiscal charges ; while it has led to a decrease in the purchasing power of agriculturists, consumers have not, in all cases, benefited by a fall in the price of foodstuffs.

The diminution in the purchasing power of the agricultural population has reacted upon industrial production, and is consequently one of the causes of unemployment, which in its turn reduces the outlets for agricultural products.

Unless practical measures are taken to restore the price equilibrium, it is to be feared that sooner or later there will be a diminution in agricultural production detrimental to the welfare of mankind.

Technical means exist, however, for a considerable development of agricultural production. They must therefore be put into operation. Their general adoption would have the most beneficial consequences for the prosperity and economic peace of the world.

II. GENERAL RESOLUTIONS.

1. The Conference regards as a vital economic question the increase of agricultural production, and, with this in view, the placing of agriculture on an equal footing with industry by enabling all those engaged in agriculture to obtain a satisfactory standard of living and a normal return for their labour and on their capital.

It is important that this necessity should be brought home to public opinion, which does not always realise the true situation of agriculture and too often regards it as an industry of secondary importance.

2. The improvement of agriculture must in the first place be the work of the agriculturists themselves. The general adoption of technical improvements, the scientific organisation of production and stock-breeding, of the campaign against the diseases and the enemies of plants and animals, of marketing, of the standardisation of agricultural products in the interests both of the producers and consumers, of the search for outlets, and of credits and insurance, will permit agriculturists to reduce their costs of production in their own interests and to the benefit of consumers.

Owing to the considerable number of small and medium-sized agricultural undertakings — the tendency towards concentration displayed in industry being absent — the organisation of agriculturists should be continued along the lines of association and co-operation which have already been tested in many countries ; it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies.

It is to the interest of Governments to encourage agriculture and the agricultural associations which have as their object the improvement of the situation of the agricultural population. In particular, the creation and development of mutual credit would be greatly facilitated by Government assistance.

The Conference draws the attention of the Governments to the fact that high rates of interest and heavy taxation hamper production.

3. Other measures to be contemplated depend chiefly on legislative action. In particular, the Conference is of opinion that social laws ensuring the welfare and security of workers should benefit agriculturists no less than industrial workers and employees, it being understood that such laws must be adapted to the special requirements of agriculture and to the special living and working conditions of rural populations. It is also of the opinion that agricultural instruction at all stages and the technical training of agriculturists should receive the attention of the different Governments as well as of agricultural associations.

4. It is desirable that all hindrances to the free circulation of and trade in agricultural products should be removed, in so far as their removal does not endanger the vital interests of the different countries and their workers.

In those States in which Customs protection is maintained, it should be reduced, both for industry and agriculture, to the lowest possible point indispensable to production ; care should be taken to assist in the maintenance of an equitable balance between industry and agriculture and not to stifle one to the advantage of the other.

The system of export prohibitions and export duties (with the exception of taxes levied for the benefit of the industry concerned) and frequent changes in Customs tariffs, which long experience has shown to be ineffectual and dangerous, should be definitely abandoned.

5. The agriculturist should find his just remuneration not through speculation but in the regularity of prices, permitting him to reckon on a legitimate return equivalent to that accorded to other producers.

6. Since, finally, the policy pursued in industrial or commercial questions reacts on the economic situation of agriculture, and *vice versa*, the Conference requests the League of Nations to ensure that, in all its organisations already existing or to be formed which are or may be entrusted with economic questions, a place be always reserved for agriculture proportionate to its importance as a social and economic factor.

III. SPECIAL RESOLUTIONS.

In addition to the general resolutions formulated above, the Conference draws the attention of the League of Nations to the following points:

1. Agricultural Co-operation: Relations between Agricultural Co-operative Societies and Consumers' Co-operative Societies.

(i) The agriculturists of the different countries contribute to the improvement of their standard of living and to the general prosperity by utilising to an increasing extent all forms of co-operation: co-operative supply societies, either for the technical or domestic requirements of members; co-operative selling organisations for the regular marketing of products; producers' co-operative societies for the intermediate processes between the production of the raw material and the sale of the finished product; co-operative credit societies to meet the need for capital (bringing equipment up to date, improving the cultivation of the soil, storage of products).

Co-operative institutions thus increase the purchasing power of agriculturists both as producers and as consumers. At the same time, they further economic progress both by increasing productivity and improving quality and also by making it possible to utilise fully the products of the soil and their by-products. Lastly, they assist the organisation of markets by methods which reduce to a minimum the costs of distribution.

(ii) Agricultural co-operative societies will contribute to a still greater rationalisation of economic life in proportion as they develop their relations with the consumers' co-operative societies. Direct commercial relations between producers and consumers, and between associations of producers and of consumers, eliminate superfluous intermediaries, and, when they are sufficiently widespread, result in the establishment of prices which are advantageous to both parties. In addition to material profit, there is a moral advantage; by direct commercial relations producers and consumers learn to know each other and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies learn to appreciate the value of direct relations in accordance with their common principles. The clear realisation of the possibility of mutual collaboration and mutual confidence in business transactions are essential to a practical solution of the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies — a question which has for a long time past been settled in theory.

The efforts made to achieve practical results should be furthered on the part of agriculture by the production of articles of specific quality and uniform type; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible from the agricultural producers' co-operative societies; on the part of States and of public authorities by supporting the co-operative movement through the creation of chairs at universities or of other scientific institutions, the institution of public courses dealing with the co-operative movement and by a fiscal policy of abstention from discriminatory measures against co-operative societies.

Effective collaboration, if need be in the form of common undertakings, will be the easier of realisation if the producers' and consumers' co-operative societies of the different countries are already nationally organised in common economic committees.

To ensure the normal development of co-operation in all the branches in which it exercises its activities, it is extremely important that the laws which govern co-operation should be unified where such is not yet the case, and should impose the fewest possible obstacles.

(iii) International agreements between co-operative agricultural organisations with regard to a number of products might be of value in placing markets on a sound basis, in regularising production and in stabilising prices at levels satisfactory from the point of view of the balance between production and consumption. Such international agreements,

to attain their aims, require loyal collaboration with the national and international co-operative consumers' organisations by the establishment of regular business channels and long-term contracts.

(iv) These efforts of agricultural and consumers' co-operative organisations should be encouraged and furthered by the creation of a committee representing national and international co-operative organisations of agriculturists and of consumers — a committee which should be entrusted with the establishment of a programme of research and documentation, as well as with the task of elucidating the lessons taught by past experience, with a view to bringing about new achievements.

2. Agricultural Credit.

The increase of agricultural production is intimately bound up with the organisation of agricultural credit, which will place at the disposal of agriculturists the necessary capital on favourable terms.

Certain countries have at their disposal sufficient capital for agriculture, but in many countries adequate provision for agricultural credit has not as yet been made, either because saving has been diminished by the general economic conditions or because the appropriate organisations have not yet been constituted.

Such a position is seriously harmful to agriculture in the countries in question, since it prevents agriculturists from increasing their harvests, from exploiting their land to the full extent, from securing lower costs of production and from providing for contingencies arising from the very nature of agricultural production by the use of suitable equipment or of a reserve working capital.

The first condition for surmounting these difficulties is the organisation of suitable credit institutions in those countries where they do not yet exist and their development where they are already in existence. The best form of institution appears to be the co-operative credit society operating by means of resources which the very fact of association enables it to procure and to increase with or without the assistance of the public authorities.

It is, moreover, by the co-operation of national organisations that the necessary effective guarantees for appeals for credit, whether national or international, can be most easily procured.

Having had laid before it by several of its members schemes with regard to the setting-up of an international organisation capable of increasing the resources available for agricultural credits where they are as yet insufficient ;

But having heard observations on that question based chiefly on the elementary consideration that credit must be secured by effective guarantees ;

And being aware of the fact that the International Institute of Agriculture is collecting special information on the question of agricultural credits :

The Conference requests the League of Nations to give full consideration to the documentation of the International Institute of Agriculture with a view to examining the possibility of international collaboration in respect of agricultural credits in whatever form may be found from experience to be most suitable with a view to promoting the recovery of agriculture where agriculture is short of capital.

3. Campaign against the Diseases affecting Plants and Animals.

Diseases which affect plants and animals diminish agricultural production, and should be scientifically combated on the basis of an international plan and international agreements.

This international campaign has already been admitted in principle by forty-three nations, which have set up an International Epizootic Office, and the International Institute of Agriculture is proposing to convene a special conference to bring about united international action in connection with phytopathology.

International agreements which establish sanitary supervision, if they provide the contracting countries with adequate guarantees, should, without infringing sovereign rights, remove from the regulations any suspicion of disguised protection and should add to the stability of trade relations, which is one of the conditions of successful production.

4. Agriculture in Colonies.

The Conference recommends that an investigation be made into the best means of encouraging agriculture among the indigenous inhabitants in colonies and especially in tropical and subtropical colonies, in order to augment the prosperity of the indigenous inhabitants of those countries and to increase the general wealth.

5. Forestry.

The Conference recommends that a special study should be made of the resources and the exploitation of forests in order to assure the regular satisfaction of the needs of industry.

6. Documentation on Agricultural Questions. — Statistics. — Enquiry.

(i) Great as is the value of the documentation which has served as the basis for the discussions on agriculture, it must be acknowledged that there is not yet a sufficient foundation to permit of a complete analysis of all the problems or to suggest a solution of them.

The fundamental importance of agriculture demands an exact knowledge of its economic situation. Such knowledge can only be gained satisfactorily through a methodical analysis of farm accounts. Such researches would bring about a general improvement in agriculture. They would facilitate the mutual understanding between the nations, and the common interests of the agriculturists of all countries would thereby be interpreted with precision. Finally, a better understanding would be created between the producer and the consumer.

To achieve this purpose, it is desirable that in the different countries an exact system of farm accounting should be formulated. These accounts should be drawn up in every country as simply as possible, but by the method ensuring the greatest guarantee of accuracy, so as to obtain comparable results for the different kinds of agricultural enterprises in any country, classified by climate, nature of soil, size of holding, systems of cultivation, principal crops grown, etc., and so as to make it possible to study the influence exerted on the net return of agriculture by the factors of greatest importance in production and returns (wages, quantities of chemical fertilisers consumed, taxation and social charges, prices, indebtedness of agriculturists, etc.).

It is therefore recommended that a committee of experts be established charged with the study and preparation of the requisite measures.

(ii) The Conference considers it necessary that a better service of periodical agricultural statistics should be instituted, especially as regards live-stock and animal products. The data collected by the International Institute of Agriculture show that, during the last twenty-five years, only thirty-seven countries, representing less than half the total area and about 30 per cent of the population of the world, have as yet proceeded to the compilation of an agricultural census.

A world agricultural census on the lines proposed by the International Institute of Agriculture would make it possible to give to the statistical data of the different countries a character of uniformity which up to the present they have lacked.

It is no less necessary to organise, nationally and internationally, the speedy transmission to agriculturists of information on harvests, stocks, consumption, and the movements of different commodities, these being important factors in the formation of prices. The monthly publication of indices of comparative prices of agricultural products and industrial products would prove of great value, as would indices of the principal elements of the costs of production of agricultural products.

(iii) The Conference requests that all Governments should be invited to initiate a general enquiry into the present situation and the possibilities of developing agriculture, the distribution of holdings and the systems of exploitation, into the relations between agricultural and industrial production, into the comparison between agricultural and industrial prices, into the costs of production and selling prices, into the condition of the workers and into the facilities required for their access to the land, etc. — in fact, into the economic, social, financial and technical conditions of agriculture the study of which will permit further progress to be made.

5. GENERAL RESOLUTIONS.

(a) ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD.

The Conference :

Recognising that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are framed and executed :

Recommends that the Governments and peoples of the countries here represented should together give continuous attention to this aspect of the economic problem, and looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding in a world which has everything to gain from peaceful and harmonious progress.

(b) EDUCATION AND PUBLICITY.

The Conference recognises that the reception and successful application of the principles stated in the resolutions of the Conference depend not only upon the good-will of Governments and Administrations, but upon an informed and supporting public opinion throughout the world, and for this purpose would welcome, in the economic as in other fields, the development of closer international co-operation by scientific and educational institutions, as well as the help of the Press and other agencies of importance, for the information and enlightenment of the public.

(c) ARMAMENT EXPENDITURE.

Whereas the world as a whole still devotes considerable sums to armaments and to preparations for war, which reduce the savings available for the development of industry, commerce and agriculture, and are a heavy burden upon the finances of the different States, entailing heavy taxation which reacts upon their whole economic life and lowers their standard of living,

The Conference :

Expresses the earnest hope that all efforts to effect, by agreements between States, limitation and reduction of armaments, and particularly those under the auspices of the League of Nations, will have successful results and thus alleviate the burdens described above.

(d) PACIFIC COMMERCIAL CO-OPERATION OF ALL NATIONS : APPLICATION OF RESOLUTIONS TO THE U.S.S.R.

The Conference :

Recognising the importance of a renewal of world trade ;

Refraining absolutely from infringing upon political questions :

Regards the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations.

It is, of course, understood that, the members of the U.S.S.R. delegation having declared that they are in favour of the resolutions in the list reproduced below, the remaining resolutions of the Conference will not be regarded as having effect as regards the U.S.S.R.

(e) ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS.

The Conference wishes in the first instance to express its high appreciation of the work of the Economic Committee and the Secretariat of the League.

The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, cannot do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.

* * *

LIST TRANSMITTED TO THE SECRETARIAT BY THE MEMBERS OF THE U.S.S.R. DELEGATION.

The delegation of the U.S.S.R. votes for the following resolutions :

Commerce.

II. Customs Tariffs.

No. 1. — Simplification of Customs tariffs.

No. 2. — Unification of tariff nomenclature, with the reserve that the U.S.S.R. cannot associate itself with the invitation to the League of Nations.

No. 4. — Application of tariffs.

No. 5. — Customs formalities.

No. 6. — Trade statistics.

III. Commercial Policy and Treaties.

No. 2. — Fiscal charges imposed on imported goods.

No. 4. — Commercial treaties, with the reserve concerning the invitation to the League of Nations.

IV. Indirect Means of Protecting National Trade and National Navigation.

No. 1. — Subsidies, direct or indirect.

No. 2. — Dumping and anti-dumping legislation.

Industry.

The U.S.S.R. delegation, while in agreement with the principles underlying the proposals put forward in the resolutions of the Industry Committee concerning "Information", *abstains* from voting for the draft resolution concerning "Information" because the U.S.S.R. proposal to entrust this work to the International Institute of Statistics of The Hague was rejected.

Agriculture.

The U.S.S.R. delegation votes for the special resolutions :

No. 3. — Campaign against the diseases affecting plants and animals.

No. 5. — Forestry.

No. 6. — Documentation on agricultural questions, statistics, enquiry.

* * *

Note. — The members of the U.S.S.R. delegation declared that they are in favour also of the resolutions enumerated below. They accompanied their adhesion by a declaration contained in the *Verbatim Record of the Conference*.

The resolutions in question are the following :

(a) Economic tendencies affecting the peace of the world ;

(b) Education and publicity ;

(c) Armament expenditure ;

(d) Pacific commercial co-operation of all nations. — Application of resolutions to the U.S.S.R.

VERBATIM RECORD
OF THE
PLENARY MEETINGS OF THE CONFERENCE.

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VERBATIM RECORD OF THE PLENARY MEETINGS OF THE CONFERENCE

FIRST MEETING

Held on Wednesday, May 4th, 1927, at 11 a.m.

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President : M. Georges THEUNIS.

OPENING SPEECH BY THE PRESIDENT.

The President :

Translation : Ladies and Gentlemen — I am happy to welcome you to the opening of the International Economic Conference.

I have pleasure in greeting the distinguished members of this Conference, and am glad to see many with whom I have had cordial relations during the meetings of the Preparatory Committee for the Conference.

You, who have come from every quarter of the world, are all equally anxious, I am sure, to contribute your valuable knowledge and experience to our work in a spirit of sympathy and co-operation.

Our Conference — and this is a fact worthy of special note — is of an unusual character. It includes representatives of forty-seven nations Members of the League; also of the United States of America, Russia, Turkey and other nations, as well as delegates of important international organisations, such as the International Labour Office, the International Institute of Agriculture, the International Chamber of Commerce, the International Co-operative Alliance, and others. Further, all its members have been selected so as to represent producers, consumers, the co-operative movement, industrialists, workers, agriculturists, financiers and traders, not to mention the delegates of the principal women's associations, whom I am particularly glad to welcome among us.

When we consider the various nationalities and qualifications of the members of this Conference, we may fairly ask whether there has ever yet been an assembly so fully and completely fitted to study the great problems which are to-day vexing the peoples of the world and jeopardising the existence of those two infinitely precious and longed-for boons: peace and prosperity. For material prosperity is a sign of peace as well as a cause of peace.

The League of Nations is constantly engaged in strengthening the peace of the world. That is its great mission.

Our mission to-day is to contribute to it by studying the economic difficulties which have made the world organism distressingly and dangerously sensitive, and by doing our best to provide some kind of general guidance in the economic field which may substantially assist in the maintenance of that peace which has been so dearly bought.

Let me begin by giving a brief sketch of what has led up to the International Economic Conference.

On September 24th, 1925, on the motion of the French delegation, in the person of M. Loucheur, whom I am glad to see here to-day, the Assembly of the League of Nations passed the following resolution :

“The Assembly,

“Firmly resolved to seek all possible means of establishing peace throughout the world ;

“Convinced that economic peace will largely contribute to security among the nations ;

“Persuaded of the necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes :

“Invites the Council to consider at the earliest possible moment the expediency of constituting on a wide basis a Preparatory Committee which, with the assistance of the Technical Organisations of the League and of the International Labour Office, will prepare the work for an International Economic Conference.”

The Council adopted this proposal. Thirty-five persons, of twenty-one different nationalities, representing the principal economic groups, were appointed by the League to serve on the Preparatory Committee, whose duties were defined as follows :

“To arrange for the preparation and collection of such economic information as may assist the work of the Conference, and to consider and

present for the approval of the Council the programme, composition, rules of procedure and date of meeting of the Conference."

The Preparatory Committee, its task thus defined, was to meet under the chairmanship of M. Ador. Unfortunately, M Ador was unable, owing to ill-health, to perform the duties which, to the great satisfaction of all the members of the Preparatory Committee, had been entrusted to him. To me was then given the onerous duty of deputising for M. Ador, whose continued absence we deeply regret.

At its first meeting, in April 1926, the Preparatory Committee was concerned mainly with the preparation and classification of the documentation to be collected for the present Conference. This documentation, much of which has been forwarded to you, is the outcome of a great deal of work.

The Economic Section of the League of Nations, primarily, and also the International Labour Office, the International Institute of Agriculture at Rome and a number of great national and international organisations, prepared reports and monographs, in addition to which we had memoranda by private persons and distinguished economists, some of whom are to-day present in our midst.

Lastly, certain groups working outside the general scheme prepared by the Preparatory Committee were good enough to offer their valuable assistance, among them being the International Chamber of Commerce, which has submitted an extremely interesting report.

In November 1926, the Preparatory Committee held its second and final session. The Committee learned that the Council of the League in June 1926 and the Assembly in the following September had approved its work; it was also informed as to the general lines on which it might continue its investigations. A report was drawn up and communicated to you all; it is included in the booklet containing the agenda of the Conference.

On December 9th, 1926, the Council noted the report and approved the recommendations which it contained. The Preparatory Committee had completed its task.

A whole year was thus devoted to the preparations for the International Economic Conference. The time was usefully employed. Not only has it been possible to examine carefully the principal problems to be solved, but circumstances have gradually become more propitious for an adequate enquiry into the true elements and origins of the prevailing disorder. It has been easier to establish with certainty and precision the radical causes of the present — almost worldwide — disequilibrium than was the case some time ago when the more confused state of the world might easily have led astray even the most perspicacious minds.

In these circumstances, what is the task which lies before us? What are the principal points of our agenda?

In the first place, we have to conduct a general enquiry, a broad survey of the main aspects of the world economic situation, the economic causes of the present instability and the economic policies which may influence the peace of the world.

Apart from the interest which attaches to these written or verbal surveys of the situation of the various countries from an international point of view, this enquiry will probably bring out yet more clearly the close relationship that exists between the economic policies of nations and

international political peace. This initial result will be no less important because it is general in character. Passing to a more definite and detailed consideration of the various factors in the present economic situation, we shall have to settle the three categories of problems classified under the headings of "Commerce", "Industry" and "Agriculture".

It should be noted, as the Preparatory Committee's report points out, that problems of finance and population are not to be dealt with separately. It has been held that these questions form an integral part of the others, and that it would be practically impossible to study any important economic question without encountering the financial and demographic aspects of that problem.

Among the questions which are of particular urgency at the present time we might mention commercial and tariff policy and international industrial agreements, the progress of which has aroused great and very legitimate interest during the past few months. We have also created a special category, and shall probably create a special committee to study questions connected with agriculture in order to emphasise the often unrecognised importance of the oldest industry in the world. Agriculture still forms the basis of other industries, and it may be said that agricultural prosperity is a *sine qua non* of general prosperity.

It is clear that many, perhaps most, of the points to which we shall devote special attention are more or less specifically European. But we must not forget that, by reason of the undoubted, nay manifest, interdependence of the nations, every situation, every measure which affects the economic life of one nation or group of nations produces an effect — slight, perhaps, but always appreciable — in all other countries.

To make the situation clear, we have — in addition to the experience and profound technical knowledge which you possess and from which the League of Nations hopes to obtain effective aid — a body of documentation, to which I have already referred.

The exceptional value of this documentation is so evident that I need hardly draw attention to it. I am sure, however, that I am faithfully interpreting your wishes in offering our cordial thanks and congratulations to the authors of those documents and to their assistants. The documents represent the fruit of hard work combined with great knowledge.

This documentation will make it easier to locate the main factors of the present economic situation. As a result of war and post-war needs and of the psychological tendencies which are their outcome, means of production have been created and developed throughout the world which are not consonant with the normal capacity and requirements of the various markets.

The specialised though temporary stimulus given to demand during the war and the hindrances to or complete interruption of commercial relations led to a situation which could only be restored to the normal by a necessarily painful process of adjustment. Transport difficulties, and indeed the impossibility at times of transporting at all, led to the creation and development of new and independent centres of production, quite apart from existing centres, the output of which had been diminished or reduced to nil. The destruction of permanent and floating capital during and after the war has visibly impoverished a large

part of Europe. Post-war financial instability has also produced a peculiar mentality, a kind of fever, leading to an abnormal increase in certain kinds of expenditure, immediate consumption and the production of higher-grade and more "luxurious" commodities than formerly.

This situation has developed, we must admit, to the detriment of those habits of thrift which formerly provided the funds necessary for the maintenance of economic life, for long-term investments, which are indispensable to progress. Scientific invention, stimulated by difficulties as they arose, has developed certain processes of manufacture to an extraordinary degree and has often caused plant and machinery to be put to unexpected uses. Territorial changes and the instability of public finance and currency have had serious consequences which we cannot ignore.

The disruption of former economic markets, protective tariffs and other forms of protection which have been established almost everywhere, and the instability of these tariffs themselves, have still further complicated the situation.

Nations have shown an increasing desire to become self-supporting, while at the same time they have sought to create fresh trade outlets — two tendencies which obviously clash. The result, however, has been that Customs barriers have been raised, completing the vicious circle in which the nations turned.

There was no lack of reasons, or in some cases pretexts, to justify such a policy. The persons concerned sought to convince both others and themselves that high Customs tariffs formed a defensive weapon and that the very increase of rates often allowed of profitable bargaining. It was said that certain tariffs were designed solely to restore an equilibrium unjustly disturbed by certain circumstances, more particularly by what has been called "exchange" dumping.

Unfortunately, it has often happened that these tariffs were later retained under pressure from parties whose interests were protected by them.

The result of these abnormal and artificial measures was to render the efforts made to increase output more and more futile. The first effect of restraints on trade is to impede or prevent the orderly distribution of products on which trade depends.

We have long been familiar with the remarkable contradiction between the enormous and sustained efforts made by the nations, at a considerable capital cost, for the improvement of means of communication for passengers and goods by constructing railways, ports and canals, and, on the other hand, the fiscal and administrative measures by which they are apparently striving to render their heavy expenditure and their persevering efforts of no avail.

Everyone realises how dangerous these illogical tendencies are, both in themselves and as a result of the reactions to which they give rise.

The respective importance of these disturbing factors, which I must necessarily summarise briefly, will be gauged by a consideration of the documents and by your discussions.

Some of these factors are apparently no longer so serious as they were immediately after the war; others have assumed greater importance. It should therefore be possible to state to what extent the world is being reorganised, and to determine the relative importance, under present circumstances, of the obstacles which have still to be overcome and the possibility of achieving this result.

It will thus no doubt be found that the dislocation of economic relations due to the war has been more

serious and more lasting in its consequences than the material havoc wrought and the destruction of machinery and plant. This, perhaps, furnishes the explanation of the fact that the central problem, the crux of the difficulties, would appear to be that trade has been unable, particularly in Europe, to keep pace with the development of the means of production, which have already reached and even passed the pre-war level.

These brief and necessarily imperfect considerations will no doubt suffice to explain the reception given throughout the world to the International Economic Conference.

The Conference is arousing considerable interest, but what is undoubtedly an erroneous view of its possibilities has led some people to form unreasonable and unwarranted hopes of immediate and universal economic appeasement. This attitude, which is no doubt a generous one but which connotes a failure to realise the complex and harsh facts of the situation, has on the other hand produced an element of somewhat derisive scepticism, which is perhaps excusable, seeing that the magnitude of our programme alone might daunt the boldest.

Gentlemen, to you falls the honour of achieving a task which should justify, in part at least, the hopes that are centred in you.

What will be the final outcome of our investigations and discussions? It is difficult to prophesy.

I should, moreover, be exceeding my province if I were to offer any suggestions in advance as to the work which we are about to do and on which it will be for you to decide. But, not being unduly vain, and realising the immense task to be accomplished in such different fields, we shall certainly make no claim to dispel the difficulties and sufferings of mankind simply by the stroke of a magic wand.

Keeping strictly to present possibilities, which already constitute a vast and noble field of work, we realise that we are entering on duties that will require much time, that we are laying the foundation-stone of a structure designed to serve the general interest and the cause of peace.

For this work, Gentlemen, there are truths which we must constantly proclaim. Some persons will perhaps be inclined to regard the Economic Conference as a meeting of theorists intent on the adoption of a number of abstract formulas or recommendations rather than on practical solutions. It is for us to undeceive them. Certainly we do not imagine that our work will be perfect, and no one can forecast the net results with any accuracy. But we are convinced that these results *must* and will be achieved some day.

This must be so if the world is to advance along the path in which it is the League's mission to guide it. This must be so if we are to assuage the burning thirst for peace which grows stronger as the world becomes more conscious of itself. One thing is certain — that the political work of the League would be useless unless based on a proper economic foundation. It cannot be too often repeated that political action and economic action are interdependent.

I have used a word which is now very commonly employed, but which has a special force in these surroundings — interdependence, or solidarity if you prefer it. Solidarity represents both the essence and the object of the League; it explains its work and justifies its aim. All those among us — scientists, economists, statesmen, industrialists and workers, of every rank and nationality —

who have pored over the great problems on the solution of which depends the fate of States and peoples, all of us have seen those problems lit up at times, and always by the same light — the light of solidarity. Sometimes it is an almost invisible flickering glimmer, still lost in the night of ignorance or stifled in the smoke of battle. At other times it spreads and grows so strong that it dazzles even the most incredulous. Nationally and internationally, politically and economically, but perhaps most of all in the economic field, the interdependence of interests is a fact, and it is useless to deny that fact or to fight against it. It must be recognised, utilised and properly directed.

That is the work before this Conference. It was thought that sensible men, discussing matters in the spirit of co-operation which constitutes the strength of the League, would not fail to discern — perhaps above and beyond certain immediate interests — the true, essential and permanent interests of their own countries and of the world in general. It was thought that, when they had thus reached a common conclusion, that conclusion might usefully be published, since it would carry with it a triple authority: that of the Conference from which it issued, that of the individual interests voluntarily merged and that of the profound sincerity of which it was the outcome.

So far, Gentlemen, I have sketched the origin and the scope of our work.

I should like now to go into certain points of procedure and organisation which will undoubtedly be of assistance to us. Our programme is divided into two parts: first, a general survey, that is to say, a general discussion; and next a discussion of the problems of industry, commerce and agriculture.

The general survey, which should begin this afternoon, will comprise an analysis of the existing international situation and a definition of economic tendencies throughout the world, and will, as you no doubt realise, bring into prominence the essential questions to be discussed later in Committee.

I have already received a number of applications from members of the Conference who wish to speak this afternoon.

If our discussions are to be fruitful, we must proceed on orderly and systematic lines. It is essential that our work should be properly co-ordinated, and that means that we must classify the questions with which we have to deal according to the information at our disposal. It is desirable, further, that our general discussion should cover the main lines of the world economic situation and its principal features.

In view of the large number of members present at the Conference and the great variety of subjects with which we have to deal I would ask your leave to classify the speeches to some extent. I regret that I should have to ask you to entrust me with this delicate task, but I think that some such procedure is necessary in order to avoid confusion. For this purpose I would ask members of the Conference who desire to speak to send to the Secretariat, when notifying their desire, a short summary — a few lines — indicating the subject of their speech. This will permit of the classification to which I have referred.

We must endeavour, further, to make the best possible use of the necessarily limited time at our disposal. I would request speakers, therefore, to be good enough, whenever possible, to communicate the texts of their speeches — if they exist in writing — or fairly full notes of the essential points. If we could have these some hours beforehand, it would be possible to have them translated into

English or French, as the case may be, and, with their authors' approval, to distribute them to the members of the Conference. This would have the advantage of reducing the time required for verbal interpretation.

May I emphasise this point? I should like to have by to-night a complete list of the names of those who wish to speak, together with the particulars which I have just mentioned.

I might also point out now that the days actually devoted to an investigation of the international situation — probably the first three days — will not be the only opportunity given to members of the Conference to express their views in public.

Normally, the detailed discussions on divergent or opposite views will take place in the Committees or Sub-Committees. They may also take place, however, during the later plenary meetings, which will be devoted to an examination of the draft resolutions submitted by the various Committees.

In view of these circumstances and of the fact that the work of the Committees ought not to be delayed, you will, I am sure, agree that it will be impossible for all the members of the Conference to speak during the first few days. I propose, therefore, that we should fix Saturday afternoon as the limit for the initial plenary meetings which are to be devoted to a general survey.

We shall also have to consider before then — though not at the moment — how our Committees are to be organised for the purposes of the agenda. The Committees will themselves decide whether it is necessary to form Sub-Committees. They will have to appoint their Chairmen, Vice-Chairmen and Rapporteurs if necessary.

Within twenty-four or forty-eight hours I hope to submit to you proposals for the nomination of a certain number of Vice-Presidents of the Conference, but one proposal I should like to submit at once. I should like to propose as first Vice-President of the Conference the member who, in September 1925, first submitted to the Assembly the suggestion that this Conference should be held and who since then has worked to such purpose, both on the Council and at other meetings, that this magnificent idea is now bearing fruit. I refer to M. Loucheur.

I am glad to note that my proposal is unanimously accepted. I therefore declare M. Loucheur first Vice-President of this Conference.

As regards the composition of the Committees, the most practical solution seems to be — in order to meet the wishes of members — that each member should himself state the Committee on which he would prefer to sit. Lists of names should be sent in for this purpose.

As regards the duration of the Conference, we should remember that most of us can only devote a limited amount of time to the discussions. I think we should indicate May 21st as the probable date for the close of the Conference. Our work must not be vitiated, however, by undue haste during the last few days. I would ask you, therefore, not to accept any engagements which would oblige you to leave Geneva before May 28th. At the same time we should aim at finishing by May 21st if possible.

Finally, I would venture to draw your special attention to the two booklets "General Arrangements" and "Guide to the Preparatory Documents of the Conference", which have been distributed to you.

Rules of procedure similar to those which have been followed at previous conferences will be duly submitted for your approval. I would point out in this connection that the Council of the League has decided that experts accompanying members of the Conference shall not be entitled to vote and shall not take part in the discussion

except by permission of the Conference or the Committees.

In order that we may achieve the best possible results in the shortest possible time, several delegations have intimated that they would be extremely glad if there were no "official" dinners or luncheons—at all events, during the first

part of the Conference, that is to say during the first fortnight. Personally, I am glad to support this proposal, since it will enable us to devote the whole of our time to our work, the importance and difficulty of which is obvious to all. It will require all our energies.

SECOND MEETING

Held on Wednesday, May 4th, 1927, at 3 p.m.

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Speeches by M. Cassel (Sweden), His Excellency Count Bonin Longare (Italy), the Rt. Hon. Walter Runciman (International Chamber of Commerce) and M. Gliwic (Poland).

President : M. Georges THEUNIS.

GENERAL DISCUSSION.

The President :

Translation : I call upon M. Cassel (Sweden) to address the Conference.

M. Cassel (Sweden) :

It is a great responsibility to open the discussions of this Conference. The Conference is called to analyse the economic causes of the present disturbed equilibrium in commerce and industry and to report on the possibilities of establishing better conditions. Thus, our first task must be to find out the essential character of the present situation as distinguished from the temporary depressions common before the war, and it is of no small importance that our judgment in that respect should be right and well balanced. The work of our Committees on the more technical sides of the subject cannot fail to be greatly influenced by the view which will prevail in the Conference regarding the fundamental nature of the present difficulties.

Such difficulties may always to a great extent be traced back to psychological factors. All economic action and all economic policy are ultimately determined by the people's ideas about economic connections and economic ends. False ideas may have, and certainly in the present case do have, the most pernicious influence on actual economic development, and it is obviously necessary first of all to get a clear comprehension of the false ideas which are chiefly responsible for the present deplorable state of things.

First among these ideas stands no doubt the idea that it would be advantageous to suppress other countries and to destroy their trade in order to make room for the trade of one's own country. The revival of this old mercantilist fallacy has had the most detrimental influence on the world's affairs since the outbreak of the war. But our experiences of this policy of suppression have been the worst possible, and the policy has become

entirely discredited. It has been realised that progress is possible only by the sincere collaboration of all nations working together for the great common purpose of securing for the world the best possible satisfaction of its needs. This sound view has, of course, not yet attained universal recognition, and doubtless much remains to be done in respect of its practical application. But the leading opinion of the world has changed, and the very existence of this Conference is a proof of the fact that the world has accepted the principle of solidarity as its highest economic principle.

We have, however, still to reckon with some false ideas of a specific post-war character, which have a great influence on public opinion and which, at the same time, form the most serious obstacle to a clear understanding of the situation.

Of these ideas I shall here only mention one, which will doubtless be shown to play a great part with regard to a series of questions which the Conference will have to discuss. This idea is that the general purchasing power of the world is too small for the world's actual production, and still more so for a continual development of that production. The consequence of this view is, of course, that production must be curtailed. There is hardly any branch of production or any country in which this device is not recommended as the sole way out of the difficulties. Were we to listen to the counsels of all these curtailers of production we might very soon bring the world to a state of extreme poverty. At this moment, when we have come together in this Conference to bring about collaboration among all nations for the common welfare of the world, the fundamental question which we shall have to answer must necessarily be this : Shall collaboration be sought in agreements calculated to restrict output and reduce the world's real income, or shall we try to unite all nations in the aim of increasing the world's production, making the world richer and supplying its population more fully with all that it needs for raising its standard of living ? The answer we give to this question will influence all our deliberations and will be of paramount importance for our decisions. Of course, there exists no such thing as a social purchasing power determined on its own grounds. The purchasing power of human society can never be anything else than the total produce of the society. If we believe that the total purchasing power of the present world is too small, there can be no other remedy than an increase in the world's total

production. On the other hand, if we should choose deliberately to reduce the world's total production in order to bring it down to a level of an assumed purchasing power the result could only be that real purchasing power would be reduced in the same proportion and the world would be so much poorer.

When we say that total purchasing power is always sufficient to buy the whole production of society, this does not, of course, mean that the producer can find a buyer for any product he fancies to produce or at any price he thinks necessary to demand. Naturally, the producer has to accommodate himself to the needs of the market. If the price which the market is willing to pay is found to be too low, the producer has to reduce his costs of production, or, if that is not possible, he has to transfer his means of production to other products for which there is a better demand. If he fails to do that, he should not accuse the social purchasing power of being too small. In fact, these two remedies are the only ones compatible with the world's interest of being provided as richly as possible with the goods and services which it requires. If artificial hindrances are placed in the way of either of these two collateral remedies, the result must be that the productive power of society cannot be fully employed.

If we look on the present economic situation of Europe and ask what is the most characteristic feature of the situation, I think we shall all agree that this feature is precisely the very incomplete use made of Europe's productive powers and particularly the widespread and long-continued unemployment of its labour. In a certain sense, we may say that all the deliberations of this Conference are concerned ultimately with the question how to get rid of European unemployment. This is not only of internal European interest. If Europe cannot find full employment for its magnificent productive capacity, the rest of the world will be more scantily supplied with European goods and European services and at the same time will find European purchasing power inadequate.

The actual facts are these: The products of European industry are to a large extent too costly and therefore fail to find a sufficient market. On the other hand, the monopolistic forces prevailing in many countries prevent the productive powers from moving to better occupations, with the result that industry experiences a great difficulty in keeping its works going and that labour suffers from unemployment, which in some countries has taken on really alarming dimensions.

Monopolies may take very different forms, but in all their forms they are a hindrance to the free application of productive powers to the ends which at any moment would be most advantageous, and thus also a hindrance to the realisation of the highest economic good for the community. We shall have to deal in the Conference every day, and almost at every step of our deliberations, with forms and effects of monopolisation, and it is very important that we should recognise the common evil which is at the root of the present situation, even when its aspects vary.

The monopolies of great industrial concerns striving to raise prices above the market level are, in principle, the same as the monopolies of such trade unions as try to establish an artificially high level of wages which can only be attained by excluding other labour. Likewise, all Government efforts to prevent productive powers from being used in the most economic way are apt to create monopolistic situations.

We should do well, in all cases, to try to see the essential thing, namely, the dislocation of productive powers and the hindrances to a natural division of labour.

As we all know, the post-war development of international trade relations has been very unsatisfactory. Tariffs have been raised and have been subjected to administrative alterations, and a general state of insecurity has been created. No doubt we have here the explanation of a very considerable part of the special difficulties which have hindered the restoration of the world economy to normal health. We cannot, of course, hope immediately to arrive at a state of complete freedom of trade. But we can abolish the worst misuses and the most serious hindrances to an international exchange of goods. If this Conference were to act on such lines, it could become a conference for economic disarmament, and this would represent a most important step towards a better future.

The free movement of productive powers has been hampered not only in the case of goods but also in the case of labour, which has been hindered in its internal movements as well as in its movements between different countries. It is difficult to describe adequately the great evils which have thereby been caused to the world's economy. But we can get an idea of what a freer mobility of productive forces means for the general economic welfare if we look upon the beneficent effects which have resulted from the comparatively free mobility of capital. In fact, the international mobility of capital has been by far the most important factor in the recovery which, in spite of all difficulties, has already taken place.

A profound investigation of the present disturbed equilibrium of the world's economy must, however, also take account of the developments of prices since the pre-war period, and an endeavour must be made to find out whether this development shows any characteristic dislocations corresponding to the difficulties of finding a market. In studying the post-war price-index figures, we are immediately struck by the fact that the rise of prices since 1913 has been generally much greater for goods which are nearly ripe for consumption than for goods in the earlier stages of production. Take, for instance, the animal-food group. The Swedish index figures for December 1926 are: for cattle 119, for manure 127, for fodder 130, for meat 142, and for dairy produce 154. We find here a strong tendency for prices to rise as goods move forward in the process of production. A still more marked difference appears in the leather industry, where "hides and skins" stand at 87, leather at 107 and footwear at 157.

I could quote a great variety of such figures to show that there has been a considerable rise of costs at the more advanced stages of production as compared with those at the earlier stages. This is not only a feature of production in a technical sense but is a fact which stands out even more clearly in regard to the distribution of goods, and particularly in regard to all kinds of personal services. The consequence is that the cost of living has risen since 1913 considerably more than the general wholesale prices. In fact, the index of the cost of living is 171, whereas wholesale prices stand at 150.

This general dislocation of prices is accompanied by a similar dislocation of wages. In those trades which have a distinct local market, and which are naturally protected from outside competition, trade unions have been able to raise the wages of their members very much above the level prevalent in other and more competitive trades.

Such a monopolistic situation is most easily created in the local building trades, in inland transport, in the works of local authorities, and, to a great extent, in the food-preparing industries. Action of this kind is always likely principally to affect the prices of highly manufactured goods, the cost of distribution to the consumers and personal services. Such movement of wages must therefore always have the result that the cost of living increases in comparison with the general level of wholesale prices. For example, the cost of building material in Stockholm shows for December 1926 an index figure of 186, which is already very much above the general index of wholesale prices, 150. The index for total building costs, however, is much higher, viz., 215, the explanation being that wages in building trades have reached an index of not less than 259.

In transport, a similar line of development is equally pronounced. In ocean shipping, where international competition is unlimited, freight rates have fallen very considerably; in fact, the index figure now usually stands in the neighbourhood of 100. On the other hand, the freight index figure for the Swedish State Railways is 240. Carriage by rail is just one of those locally protected trades in which it has been comparatively easy to push up prices. These tendencies are by no means peculiar to Sweden. Substantially the same movements have taken place in most European countries with strong labour unions and with a stabilised currency.

In the case of Germany, the price-index figures give a clear prominence to the tendency of prices to rise when products advance in the process of production. In agriculture, the tendency can be seen in the index figures of manure, cattle, fodder, vegetable food and animal food, which are for November 1926, 81, 121, 141, 153 and 157 respectively. In other countries the tendency is similar. The difference between cost of living and wholesale prices which I noted for Sweden seems to be very general and is affirmed by the index figures of a whole series of countries.

Enough has been said to place it beyond all doubt that the development after 1913 has resulted in a rise of the prices of consumers' goods in comparison with those of goods at earlier stages of production, and that this dislocation of prices is essentially a consequence of the particular increase in the costs of production in certain trades which has resulted from the monopolistic influences of tariffs, of trusts and cartels and of locally protected trade unions.

This dislocation of prices has inevitably been to the disadvantage of certain classes of producers, who have had to pay for advantages secured by other classes. It is clear enough that agriculture and, to a great extent, production of raw materials are among the chief sufferers. For their produce they get in exchange less of manufactured goods and immediate services.

A similar alteration has taken place in the conditions for the exchange of goods between Europe and the colonial world. The main trend of development is a fall in the prices of colonial products as compared with those of the manufactured goods which Europe has to offer in exchange. Many examples can be quoted of the low prices now fetched by colonial products. For a mass of these products the absolute prices are now about as low as, and in some cases even considerably lower than, they were before the war. On the other hand the products which the colonial world has to import have usually risen to levels very much above the general level of wholesale prices, that is to say, much above 150.

The actual figures, which it would be inconvenient to quote here but which will be found in the

magnificent statistical investigations which the Economic Section of the Secretariat of the League of Nations has supplied, leave no room for doubt. Since 1913, a very serious dislocation of relative prices has taken place in the exchange of goods between Europe and the colonial world, which now gets considerably less in exchange for its goods than it did before the war. On the other hand, Europe has difficulty in selling its produce, and suffers both from a congested market and from unemployment. In fact, Europe is like a manufacturer who keeps his prices too high and who is therefore obliged to store a part of his products. What Europe is storing is, however, speaking broadly, not goods but unemployed labour. The wisdom of this policy is open to very serious doubts. The cost of storing labour is very considerable. First, unemployment doles have to be paid in some form or other and will always be a charge upon the products of those labourers who are actually producing. But, further, the storing of labour which is now going on in Europe involves another and very much more serious cost, namely, the degradation of human beings prevented from finding a useful occupation for their forces and prevented from earning their own livelihood. An immense wrong has been done in post-war times to the youth which is continually growing up and which finds itself practically ruled out from entrance into any trade. Let us not look upon this matter as a question of taking up a position for or against organised labour. What we have to deal with here is the disparity of relative wages between different occupations and an artificial and most disastrous line of demarcation drawn between workers who are allowed to work and workers who are not.

The excessive cost of European products hampers the development of agriculture and of the colonial world, whose capacity of supplying European industry with raw material and food does not come up to the level which would be possible if Europe could fully employ all its productive powers.

The development of agriculture and of the colonial world is, however, also hampered by the reduction which has taken place in European savings and in Europe's capacity of putting fresh capital at the disposal of agriculture and of the colonial world. Before the war, the colonial world regularly received the fresh capital it needed for its further development in the form of loans from Europe. This continual supply of fresh capital was an indispensable condition for the ability of the colonial world to buy the capital goods, such as machinery, rails, building materials and implements, which the colonial world wanted for continually opening up new districts for cultivation and for supplying itself more fully with the capital goods required for making its production more effective. Since the war, the stream of capital from Europe to the colonial world has considerably diminished, and the great lending power of the United States has not been able to make up for this deficiency. The result has been a general slowing down of colonial development. In this way the colonial world is suffering.

But Europe is also suffering. First, Europe does not get the increased supply of colonial products of which it is in such great need for its increasing population. Secondly — and this is a point which deserves our most particular attention — when the colonial world cannot borrow money, those European industries which produce capital goods find their colonial markets restrained. As a matter of fact, we now have this inevitable consequence before our very eyes. It is by no means mere chance that the depression in Europe has made itself most

strongly felt in the capital-producing industries, especially the iron and steel and the engineering industries, or that those countries which used to stand in the first rank as exporters of capital goods to the colonial world, namely, England and Germany, are now those to suffer most seriously.

We have now before us the main lines of the world's economic situation such as it presents itself in the light of a scientific analysis of the facts. It is easy to see what an unfortunate role monopolism in its various forms has played in the development of this deplorable situation. The serious and widespread dislocation of prices and wages which has taken place since the war and which has given rise to entirely abnormal unemployment is the great tangible result of the monopolistic tendencies of our day. However, the responsibility for this unfortunate development may be divided: a situation in which Europe, by aid of unemployment doles, is storing up industrial labour which is not allowed to perform useful work in the service of the world's economy, while at the same time agriculture and colonial production suffer from an insufficient and too highly priced supply of industrial products, must be looked upon as the most emphatic expression of the fundamental fallacy of monopolism.

The President :

Translation : His Excellency Count Bonin Longare, member of the Italian delegation, will address the Conference.

Count Leliò Bonin Longare (Italy) :

Translation : Mr. President, ladies and gentlemen — One passage in particular in the eloquent speech delivered by our eminent President at the close of the Preparatory Committee's proceedings has remained in my mind as summarising very aptly the objects that our Conference should have in view. He said that the political work of pacification undertaken by the League of Nations would not be comprehensible without simultaneous work in the economic field.

These words of wisdom contain a great truth which I venture to supplement and amplify. In my view, the work of pacification undertaken by the League, the noble work in which every nation without exception is interested, would probably be sterile were it not directed, first and foremost, towards economic questions.

The most ingenious devices for the reduction of armaments, commissions of arbitration, organs of conciliation, all this vast machinery, may in an emergency prove quite inadequate unless we can create, in this world so cruelly tried by war, an atmosphere of peace.

This atmosphere can only be established in an international society in which every nation is able, through its trade and industry, to acquire a standard of well-being commensurate with its standard of civilisation.

Many causes of conflict which in the past deluged the world with blood have now disappeared from history, thanks to the rise in our political standards. No nation is prepared now to fight in order to defend the rights of succession of some princely family or to satisfy the ambition of a conqueror. But economic disputes and rivalry are still at the basis of international conflicts.

We hope that the day will come when all civilised nations will have an opportunity of working and producing in accordance with their natural aptitudes and in proportion to their needs; then perhaps the last cause of conflict will disappear in its turn.

This should be one of the League's most cherished ambitions, and its success in this field will be the best gauge of its prestige and of its salutary influence over the fate of nations. To us has fallen the signal honour of pioneering this great undertaking. A vast field lies open before us, a field which covers all the many spheres of human industry; and the programme so sagaciously and so competently drawn up by the Preparatory Committee constitutes the best indication of the task which lies before us.

It would be a great mistake to imagine that we shall complete this task at this session. We shall, however, have achieved one great result: we shall have done sterling service to the cause of peace if we succeed in smoothing, at all events to some extent, the stony path which lies before us, if we can clear it of the mass of prejudices and preoccupations which always retard even the most urgent and necessary reforms.

It is for us in any case to map out the first stages of an enterprise the utility of which, once it is begun, is too obvious for there to be any thought of turning back. Subsequent conferences may, if necessary, be convened to continue, conclude and consolidate our work.

We must not, however, allow ourselves to be disheartened by the amplitude or multiplicity of the problems that we shall encounter on our way. No matter how serious, no matter how numerous they may be, we shall succeed in the end if we approach them in a spirit of mutual confidence and goodwill. Our progress will necessarily be somewhat slow, but there can be no question of failure unless we depart from that spirit of international fraternity which forms the very foundation of the League and allow individual interests to loom too large, forgetting that, in the long run, petty egoism serves neither nations nor individuals. The economic prosperity of every nation has much to gain and nothing to lose by the prosperity of its neighbours.

At no time has the truth of this principle been more apparent than it is to-day. It should make a particular appeal to the sagacity of Governments now, after the war, when the world is doubly impoverished by the limitation of production and the scarcity of markets.

A nation's wealth, its productive power, will never attain its full value, will never bear its full fruits, unless the general conditions of international trade enable that nation to dispose easily of its products and to obtain with equal facility other products which it requires but cannot itself supply.

As the world's population increases and the general standard of living improves, the solidarity of interests and economic interdependence of the nations grow more marked; it is becoming increasingly evident that it is to the advantage of States not to thwart one another's industrial and commercial activities, that they should, on the contrary, co-ordinate their efforts and legislative measures so that as far as possible no nation need be obstructed by another when in pursuit of its legitimate ambition to further its prosperity by means of peaceful work.

It has been my privilege to lay before you a brief statement of the views of the Italian delegation and the general principles which will determine its attitude throughout our work. The Italian delegation will make every effort to ensure the success of that work, which, it confidently hopes, will serve its country's cause.

If, as we believe, the main object of this Conference is to draw up a statement of the productive resources of the individual countries, to determine the causes which stand in the way

of their economic development and, as far as possible, to eliminate such of those causes as depend on human endeavour alone, no country could be more interested than Italy in its success.

Italy, who suffers from a shortage of raw materials, and whose main asset is to be found in her workers — who, we may fairly claim, have always proved their sterling qualities — Italy, under the compelling influence of constructive energy, now demands as a counterpart for her labour the restoration of her national economy and the reintegration of her national capital for the maintenance of her increasing population, since, unlike other more fortunate nations, she has no heritage of accumulated capital.

If, however, Italian labour is to bear its full fruit — in the pacific interests not only of Italy but of the whole human race, which with the progress of civilisation is every day being more closely knit by economic bonds — the other nations must realise the difficulties which stand in her way and must beware of any measures which might tend, even indirectly, to increase those difficulties.

We shall not ask any country to neglect its interests for ours, but we do ask every nation to consider its interests from a higher point of view and to realise that it is to the advantage of all, as a matter of common prudence, to co-ordinate their efforts in the economic sphere, and to direct them in a spirit of co-operation towards the well-being and general progress of humanity.

It is with this profound conviction that the Italian delegation has come to co-operate in the programme now before you.

The President :

Translation : The Rt. Hon. Walter Runciman (International Chamber of Commerce) will address the Conference.

The Rt. Hon. Walter Runciman (International Chamber of Commerce) :

Mr. President, ladies and gentlemen — The International Chamber of Commerce, which I have the honour to represent, is gratified and honoured by the invitation of the League of Nations to attend this Conference in recognition of its position as representative of the business organisations of the world. I shall state as briefly as I can the objects which have brought us together and have justified our inclusion in this Conference. All the nations of the world are represented in the International Chamber of Commerce. Twenty-two national committees and forty-three of the trading countries of the world are represented in our membership. We are all bound together by one principal object, namely, to secure the greater mobility of persons and of things. In preparing for this Conference, however, our main consideration has been the study of Europe, for, whereas the growth of commerce in the rest of the world appears to have been as great as we might have expected during the last twelve years, the growth in European trade has been distinctly impeded by one cause or another.

The International Chamber has been studying these various questions, and, through its Committee on Trade Barriers, has presented to this Conference a report which contains concrete and, as we hope, practical proposals upon those subjects which business men regard as fundamental. They include the treatment of foreigners, obstructions to transportation, prohibition of importation and of exportation, international industrial *ententes*, the financial difficulties which have impeded and to some extent still impede active trade and, finally, but by no means the least simple, Customs tariffs.

The report that we have laid before the Conference has one considerable advantage which I venture to plead, namely, that it has received the unanimous approval of all our twenty-two national committees. Two reservations, both of them of a minor character, have been included in the report, but, on the whole and with those two small exceptions, twenty-two national committees have adhered to the report which we lay before you.

We are not blind to the causes which have led to the present state of European trade in particular. The destruction of the war period has now passed away, and, just as the destruction of material has very nearly been repaired, it is equally true to say that economic dislocation still exists. For, although the productive capacity of Europe appears to have increased since the war, the actual trade figure is on a ninety-per-cent basis as compared with 1913, that is to say the nations of Europe have become rather more self-sufficing and they have not traded with each other to the same extent as in former years.

During the war, this economic dislocation amounted to the almost complete prohibition of imports and exports in most of the countries of Europe, and, compared with this total prohibition, the high tariffs of to-day seem almost tolerable. At all events, we have, as the result of our experience in the last fifteen or sixteen years, lost to some extent our sense of proportion. The other outstanding characteristic of the post-war period has been the violently fluctuating exchanges, which we, as business men, have had to regard as amongst the most dangerous influences affecting our prosperity.

Now the period of rapidly fluctuating exchanges between wide limits appears to have come almost to an end, and no doubt, if one may take a short historical view of the growth of tariffs in Europe, the tariffs which have reached their present high level are largely the result of the influence exerted upon the minds of business men and on Finance Ministers and Ministers of Commerce by these fluctuating exchanges, and fluctuating exchanges have affected the capacity of exporting countries and the prices at which goods can be sent into our several countries from abroad. Indeed, the rapidity with which the exchanges varied and the almost equal rapidity with which the tariffs attempted to keep pace with them were, so far as we were concerned, a kind of forked lightning flashing out of a thunder-cloud and hitting whom it would. We all suffered without discrimination, and a man was not only wise but very fortunate if, during that bad period, his own business was not one of the victims. This combination of exchange fluctuation and rapidly rising tariffs interfered with one of the most beneficent functions which can be performed by commercial men.

There is no single symptom of modern business which has brought more benefit to everybody concerned than long contracts, contracts made for large quantities of goods the production and delivery of which extended over a long period. It is of great advantage to work on a long-contract system if you are a producer: it is of equal advantage to the consumer, and, last but by no means least, it gives stability of employment to the worker. Now, long contracts during this fluctuating period became almost impossible, and I hope I shall not be saying anything indiscreet to-day if I add that, if the existing tariffs in Europe are to be raised any higher, they will still further impede the system of long contracts.

It is because we of the International Chamber of Commerce believe that that post-war period has now passed that we come to this Conference with a full degree of hope that, if there is at least no other outcome from the Conference, it will check the

tendency to raise tariffs. On that we are agreed in every one of our national committees. May I be allowed to say that such a result fills one with an amount of hope which would have been scarcely within the possibility of the commercial world three or four years ago ?

We have had the advantage, in the International Chamber of Commerce, of having the assistance not only of our European neighbours but also of representatives from the United States of America. I know it would certainly not be the desire of any American here present that we should assume that they were attempting to pass judgment upon old Europe, but we have reason to be grateful to them for having formed very clear views on some of the economic ills from which we are suffering, and, if you will allow me, I will quote one single sentence from our American Committee which, being the judgment of shrewd observers from outside, we may well take to heart. It says: "It is generally recognised that the absence of trade barriers throughout our whole area (that is to say, the area of the United States of America, nearly as large as Europe itself) renders unnecessary in the United States many of the steps desirable in Europe. Instructed by our own experience, the American Committee feels that substantially similar freedom of commerce and trade in Europe would inevitably result in great benefit to the European peoples". That is the sober judgment of observers who have the enormous advantage of living three thousand miles away from Europe, but it also has the justification of being based upon practical experience.

May I, with equal brevity, refer in passing to one or two of the achievements in economic collaboration which have been the result of our efforts in the last few years. Shipping is undoubtedly one of the most competitive industries in the world, and yet, within the range of shipping, where the difficulties of common agreement and the elimination of competition might be thought to be almost impossible, under the influence of the League of Nations we secured the Maritime Ports Convention, to which nearly all of the great seafaring nations of the world have given their adherence, that is to say, they have signed the Convention and four of them have ratified it. We express the hope in our report that the remainder of the nations which, having signed, have not yet ratified it would do so at the earliest possible moment.

We have also to record the fact that flag discrimination has well-nigh disappeared. There are, of course, qualifications to that statement, but flag discrimination is now, by common agreement, believed to be an unhealthy state of things for the merchant shipping of the world. We are also agreed that the subsidising of merchant shipping is a practice which is undesirable, as introducing an uneconomic element into business and disturbing markets. Finally, we have gone a long way towards securing uniform regulations for our merchant shipping, regarding which still more may well be done.

We offer no judgment on the troubles of the heavy industries. Invaluable documents have been presented to the Conference on the subject of the coal trade, the iron and steel trades, the manufacture of chemicals, on shipbuilding and engineering, and the Conference will be well advised to devote close and even detailed attention to the conditions of these heavy industries, for in nearly every country in the world it is within the list of these industries that there is the largest number of financial impediments and the largest volume of unemployment. Even in the textile trades the troubles are by no means local, and still less

are they parochial. The textile industries of nearly every country are suffering from the same ills which beset our own.

In every one of these cases there is one common barrier, to which we devoted great attention. As you can well believe, we were not able to go the whole way with the theorist who can see commercial policy quite clearly without any qualifications. We are well aware of the fact that the Customs-house officer is the friend of some and the enemy of others; and I fear that, human nature being what it is, there are large numbers of people who would like to see the Customs-house officer well within the range of their official friendship. Let us not close our eyes, however, to one clear fact, namely, that, both for the financial convenience of many countries and because public opinion is not ripe for a change, the total abolition of Customs tariffs is beyond the immediate hope of mankind — by which I mean, of course, beyond the hope of mankind in our lifetime.

Surely, however, something can be done by this Conference to bring home, not only to the trading communities themselves but to the Governments, which, in the long run, must accept their orders from the democracy, the fact that, unless we can restore to Europe far more than its pre-war volume of trade, suffering will be brought not only on those who are directly engaged in business but on the great masses of the population whose very livelihood depends upon it.

If we cannot get rid of tariffs altogether, at least we can go as far as the report of the Chamber suggests, namely, that there should be limitation. We suggest that there should be an extension of Customs Conventions and that it would be wise for us to extend our system of commercial treaties. No commercial treaty is worth having which is not based on the fact that both sides recognise that a bargain cannot be single: it must be dual, and if any good thing is to come out of exchange it must be on a basis whereby the benefits are conferred on both sides. A return to an active drafting and conclusion of commercial treaties may do much to minimise the impediments to trade brought about by rising tariffs.

We also put in a plea for the stabilisation of tariffs. The effect on tariffs of rapidly fluctuating exchanges has been that a shorter period has been imposed on a tariff than was customary before the war. A tariff which lasts only twelve months and may then be subject to revision is an obvious obstacle to long contracts, for which I have pleaded already. A twelve-months tariff is an incalculable thing. It means that no business man, whether manufacturer or merchant, can know where he stands twelve or even six months hence. If tariffs are to remain, let them be imposed, I suggest, on a more stable basis.

A good deal might be done, I imagine, to clear up the confusing nomenclature of tariffs. Two systems are in operation in the world, and they are confusing and extraordinarily difficult, even for the most intelligent of us, to understand. The least we can hope is that the tariff nations of the world will base their nomenclature on a common system. Let the same principle be applied throughout, and I cannot believe it is beyond the wit of the commercial ministers of our great countries to put their heads together and achieve this good object.

I say nothing whatever about subsidies or discriminations of a more subtle and hidden character. We all know something about them in the practical experience of our everyday life. We can at least say that the more the whole commercial system of the trading nations is thrown open to the

gaze of mankind the better it will be for financial and commercial security and the more we shall cultivate the common interests of those who live upon trade.

My final word is this. Those who are concerned to maintain business prosperity in all countries are convinced that a mutual understanding in international economic and business problems is the surest guarantee for a growing volume of trade and for the maintenance of the higher standards of life and comfort which are the legitimate aspirations of modern democracy.

The President :

Translation : M. Gliwic (Poland) will address the Conference.

M. Gliwic (Poland) :

Translation : Mr. President, ladies and gentlemen — The pre-war economic order, which afforded a passably serviceable safeguard for world equilibrium, was overthrown by the war, and its ruin was completed in the period that followed. In the war a whole generation perished, and the fruits of the labour of preceding generations were destroyed. But that was war-time. The peace so ardently longed for did not bring better times; on the contrary, the situation went from bad to worse. It became urgently necessary in Europe, and particularly in Continental Europe, to satisfy the economic needs which could not be met during the war. But the available capital had been spent or had passed into other hands, into the hands of a nation, great, brave and valiant indeed, but which required this capital for itself and only accepted with great reluctance the role of the world's banker which was perforce imposed upon it.

In Europe, and above all — as I have already said — in Continental Europe, there was only one means left of satisfying these needs. It was the worst means; it consisted in accelerating the production of paper money. Almost all European countries have suffered from inflation, even super-inflation, the most noxious, deadly and accursed of all economic ills. In countries attacked by this terrible disease, internal credit disappeared and was succeeded by a new phenomenon, harmful alike to producers and consumers, to buyers and sellers. I refer to credit-dumping. The scourge of inflation may have ceased to ravage our Continent, but the wounds it has caused have not yet healed.

The whole of Europe was faced with dire poverty, and the peoples of Europe showed an increasing tendency to emigrate. But this very natural tendency was thwarted by an impassable barrier raised by the immigration countries, who feared invasion by these famished hordes. The vicious circle widened. It became necessary not only to protect old-established long-standing industries but to create new industries with the sole object of absorbing superfluous labour. In many cases it was decided to introduce unpopular restrictions and regulations. Then began the process, hitherto unknown, of bargaining over the contingents of the quota system.

It is true that gradually the necessary capital was obtained from overseas to build new workshops on the ruins of those which had been destroyed, and to equip and strengthen languishing industry. Unfortunately, this capital was often frittered away owing to the unsatisfactory methods of allocating it. It was used in many cases to revive the productive power of certain countries or undertakings without at the same time increasing the purchasing power of others. The universal impoverishment was felt with especial keenness through the very fact that there was a widespread

desire to raise the standard of living, whereas the means of doing so had practically disappeared.

These symptoms of economic disorder are so striking, so deplorable, so universal, that all who observe them are necessarily and inevitably led to adopt the same conclusions. There is one idea that has now come to be universally accepted. I refer to the general conviction that no nation can attain lasting prosperity so long as any other is afflicted by poverty and misfortune. That is the fundamental principle, the guiding principle, that has brought us together to-day.

The problem of economic settlement on international lines is one which calls for urgent consideration. Its solution demands increased production, and production organised on scientific lines. With this, however, is indissolubly linked a further desideratum which is perhaps even more important and is much more difficult of attainment — the increase of demand and the democratisation of requirements in the widest sense, that is, increased purchasing power not merely of individuals but of whole nations.

It would be useless to increase production unless the goods manufactured could be disposed of. The solution would be simplified if we had to deal only with two types of countries, namely, industrialised countries and purely agricultural countries. All that would then be necessary would be to remove the hindrances to market development, and more especially — this is essential — to revive the purchasing power of agricultural countries by providing them with all the capital they can absorb. Unfortunately, however, save in a few exceptional cases, we never find such types of economic structure in actual practice. On the contrary, the majority of the countries of Continental Europe possess an economic structure of a mixed type, and to class them as purely agricultural countries would not be in the interest even of the highly industrialised countries.

Statistics show that industry finds its principal markets not in agricultural but in industrial countries. The figures for the import and export trade of Germany, the United Kingdom, Belgium, France and the United States prove unmistakably that in 1913 — the last normal year — Germany placed in the other four countries 35 per cent of her total exports, the United Kingdom 25 per cent, Belgium 78 per cent, France 56 per cent and the United States 47 per cent. Even now that conditions have changed, these figures do not greatly differ from the pre-war ones. They are as follows: Germany 22 per cent, Belgium 55 per cent, France 52 per cent, United States 39 per cent, United Kingdom 26 per cent, a figure which is even somewhat higher than the pre-war figure.

It is clear, then, that any theory that industries should not exist in non-industrialised countries, any theory that runs counter to the expansion of such industries, calls for very careful revision. The mere application of such a theory might have the effect of reducing consumption in certain markets instead of increasing it.

As regards the less highly industrialised countries, that is, consuming countries, we must not lose sight of the main problem, namely, the exchange. The question at issue is not merely the reduction of their import capacity: it is something more. Such countries do not hesitate to resort to the most unsound means in order to protect and maintain their trade balance. The absolute necessity of stabilising the exchange in all countries belonging to the world economic commonwealth has become the most generally accepted postulate of post-war world economic policy.

Then there is another urgent problem: how to exploit all the available natural sources of raw material. For this purpose, some means must be found of obtaining the necessary capital. The rational distribution of raw materials is the most effective means of eliminating the causes of the present crisis. In this distribution of raw materials, however, we must not forget countries which have a mixed economic structure and which require to have their capacity for consumption increased. Before capital can be drawn into an industry, that industry must be protected, and the principles of free trade, however attractive, are not always applicable.

There is another question to which I would venture to draw your attention, and this is the last point of my speech.

The population problem is of primary importance in the economic life of the world. The supply and demand of labour give rise to continuous currents of migration, and these currents in their turn greatly influence the supply and demand of commodities. I quite realise—and I am now addressing my American friends more particularly—that an immigration country has very weighty reasons for establishing a system of selection, but the urgent need of emigration countries to dispose of their surplus labour cannot be ignored. It is essential, then, that emigration countries should come to an understanding with immigration countries.

To sum up: what we have to realise is that world economic reconstruction and more particularly the reconstruction of Europe, and above

all of Continental Europe—which, as I have said, has a mixed economic structure—constitutes a problem which is very complex, very extensive and very difficult. The solution lies in constant international co-operation, which might be organised on a permanent basis. Commercial treaties are still the principal means of regulating international economic relations, but they are not so effective as was once the case.

Direct co-operation has been established between the international economic circles concerned. The activities of the Economic Committee and the Financial Committee of the League of Nations, the work of the International Labour Office, of the International Chamber of Commerce, of the Agricultural Institute in Rome, and other institutions—all these afford concrete evidence of this co-operation. There is a movement in favour of closer agreement between producers in the different countries. Perhaps in the near future we may witness an agreement between the central banks. International co-operation is advancing, and nothing can stop it. It is our hope that the International Economic Conference will constitute the first step in this direction.

I venture to express the hope that such co-operation may be continued under the auspices of the League of Nations, either through the existing organs of the League or, it may be, by organs created for the purpose by this Conference.

It only remains, then, for me to express my heartfelt wish that our effort may be crowned with success, or, to quote the ancient words: "Quod felix faustum fortunatumque sit".

THIRD MEETING

Held on Thursday, May 5th, 1927, at 10 a.m.

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GENERAL DISCUSSION (*continuation*).

Speeches by M. Zimmerman (Netherlands), Mme Freundlich (Austria), M. von Siemens (Germany) and M. Shidachi (Japan).

President : M. Georges THEUNIS

GENERAL DISCUSSION (*continuation*).

The President :

Translation : M. Zimmerman (Netherlands) will address the Conference.

M. Zimmerman (Netherlands) :

Translation : Mr. President, ladies and gentlemen—In the first place I want to express my admiration for the work of the Preparatory Committee and of the experts—a work which has supplied us with extremely interesting and valuable information regarding most of the economic problems of the world. We have undoubtedly been given a unique documentation which will be of lasting value, especially if the enquiries of which we now have the conclusions before us are continued and supplemented.

The preparatory work has been considerable, but has nevertheless been limited in scope. It was restricted to the international causes of the difficulties which form the subject of our discussions, that is, the causes which might be wholly or partly eliminated by international agreements.

At the same time we know that, quite apart from international problems, there are factors within the various countries which react unfavourably on world prosperity. When such factors are of a special nature and concern only one country or only a limited number of countries, I quite understand that we should not deal with them at this Conference. If, on the other hand, they are to be found in nearly every country—which would mean that they are more or less universal—it might be necessary to discuss them. It seems to me that this characteristic of universality applies, at all events, in the case of most of the European States.

Our Conference had as its origin the very unsatisfactory economic situation of Europe. It was realised that our continent as a whole does not hold its pre-war place in world production and that its relative economic importance has diminished. It was seen that, while we were

lagging behind, other countries were rapidly advancing. We all turned our attention to the United States, asking ourselves to what we should attribute the flourishing situation of that country as compared with the Old Continent. We endeavoured to ascertain the difference between economic life there and in Europe. In the first place we were struck by the effect — an eminently salutary one — of the far-reaching unity of production and consumption, by the powerful organisation of the banking and financial institutions, and by the scientific system of communications and transport. In a country extending from ocean to ocean, over 5,000 kilometres, industry and agriculture find a national market of 120 million inhabitants. This market is not divided by frontiers, and men and goods can move about freely. The same language is spoken, and there are the same customs and the same requirements. The banking system operates over the vast expanse of the whole territory, and economic activities are stimulated by a system of communications which has been built up, and is continually being extended, to meet the needs of this enormous country.

We Europeans can never, of course, hope to see such a state of affairs in our own continent; all we can do is not to lose sight of America's example, but to keep it before us as an ideal to inspire and guide us.

There are other differences, however, between the New World and the Old, and I now come back to influences which in Europe have almost invariably affected the economic situation, although they are national in character. If we come to consider what all the European States — or practically all of them — have in common since the war, we find in the first place high taxation, and, in the second, considerable restrictions on vocational freedom.

As regards the burden of taxation, this is due primarily to the amortisation and interest charges on war debts, to reparations, and to the payment of pensions. These factors in the fiscal burden are at present unavoidable, and I will pass them over.

But we all know that there is another contributory cause: the fact that almost everywhere the public services — both State and municipal — have been considerably extended and have been established on a broader basis than hitherto. All this expenditure has to be borne by the wealth-producing elements as a class, and therefore constitutes a heavy burden on production. If we glance at America we find that public administration is limited, while private enterprise provides certain services which we in Europe could hardly imagine in any but State or municipal hands.

Vocational freedom has been and is still being restricted everywhere. It is becoming an increasingly common practice to regulate the relations between employers and employed by legislative measures, and in this connection we have gone much further than America, where relations are based mainly on the principle of freedom of contract. No one to-day will deny that good social laws may have a salutary influence as factors in the consolidation of social peace, but this is a sphere where it is easy to overstep the proper limits, and in that case the laws injure rather than assist the classes for whose benefit they are passed.

Excessive fiscal burdens and over-rapid social legislation have this in common: they lead either to payment for non-productive work, as when the number of State officials is excessive or there is not enough work for them to do, or they lead to payment without a corresponding contribution

of labour. They thus affect the productive capacity of a country and compel productive labour to yield some of the fruit of its toil to a class which is not sufficiently productive. They both create purchasing power, without at the same time effecting any increase in wealth, and hence reduce the possibilities of consumption.

This problem may also be regarded from another angle, and here again we shall have to consider the situation on the other side of the Atlantic.

We know that the solid basis of American industry is constituted by its extensive and prosperous national market. In Europe we are trying to work out our salvation principally by exports, and under present conditions we are perfectly right. But we must not lose sight of the fact that the modern economic tendency is for countries to become more and more industrial, not only in our own continent but also in Asia, Oceania, South Africa and South America, where preparations are being made for working up raw materials in the country of production instead of sending them to Europe to be re-exported in the shape of finished articles.

If this tendency continues — and why should it not? — Europe must be prepared for a reduction in her export trade and a corresponding increase in the importance of her national markets. Nothing stimulates these markets so much as the existence of a prosperous working class with a high standard of living. This standard depends very much less on the wage figure than on plentiful production; the larger the quantity brought in to the market, the more that market will yield. Material welfare has only one source: production. This means that the material level of the population can only be raised by stimulating production and by hard work. Too large a number of public officials, and legislation which tends to remove the incentive to work, have the opposite effect; they exercise an unfavourable influence on the productive power of the nation, the home market, the capacity for consumption, and the material level of the masses.

I have of course touched on a matter which, theoretically, is of national concern and cannot form the subject of resolutions at this Conference; but the symptoms are so ubiquitous in Europe that the question should come up for consideration in nearly every country.

I have mentioned the matter because it would be a pity if those who later on read the account of our discussions find therein no reference to this problem, which must inevitably attract more and more attention among all who are endeavouring to ascertain the origin of European economic unrest.

Among these causes there is one with which I came into direct contact in my capacity as Commissioner-General of the League of Nations in Austria.

The financial re-establishment of Austria is now an accomplished fact. She once more possesses a stable currency and has balanced her budget, but the communication received from the Austrian Government shows that the economic situation is by no means as satisfactory as that of currency and finance — a statement which will certainly be confirmed by all who are acquainted with present circumstances in Austria.

It is not only Austria that is suffering but all the Central European countries, especially those which were formed out of the old Dual Monarchy or which acquired part of its territory.

This Monarchy was an almost ideal economic unit. In political matters there were considerable differences of opinion, and even hostility, but in economic matters the Empire was an example of friendly co-operation, which was based on the practice of centuries and was seemingly determined

by geographical circumstances. All parts of the Empire were in contact with one another, and the wealth of the soil and subsoil was so great that it was to a large extent a self-contained unit, as pre-war statistics show.

In 1913 the total value of Austria-Hungary's foreign trade per head of the population was only one-third of the figures for Germany and France, and one-fifth of the figure for Great Britain. The Austro-Hungarian Empire, which was a single unit for purposes of production, was served by an excellent railway system, and by that wonderful river which links up the heart of Europe with the Black Sea.

The unit has been disrupted, and its former territory has been divided amongst seven States. Economic relations built up in the course of centuries have been destroyed; industries which were created for the needs of the home market and which drew their raw materials and fuel from the interior have everywhere been cut off by new frontiers from their former customers and their former suppliers. The railway system has been subjected to the regulations, tariffs and formalities of seven different administrations. As regards Danube navigation, a reference to Mr. Hines's report will suffice to show the disastrous results produced by the new order.

All the States, in varying degrees, are suffering from this economic upheaval. Austria is among those which have suffered with particular acuteness, firstly because her internal market is restricted and comparatively undeveloped, and secondly because a large portion of the old Empire's industry was situated in the territory of what is now the Austrian State.

I have said nothing new; the situation is a matter of common knowledge. It has been explained over and over again and has quite recently been dealt with in the memorandum on economic problems in Central Europe submitted to us. But it is so important, and it has such far-reaching effects on the material condition of the population in this part of Europe, that I have felt it my duty to stress all previous statements on the subject.

Through the mission which I carried out on behalf of the League of Nations I was brought into close contact with the economic life of Central Europe. I think I know the disease from which it is suffering, but I am also aware that the remedy will not be easy to find, and that it can only produce its effects by a slow and gradual process. It would be premature at this juncture to enter into details. Nevertheless I have no hesitation in saying that the re-establishment of some measure of economic co-operation between the countries of Central Europe is essential for the recovery of our Continent, and this Conference will have earned the gratitude of all concerned if it can mark a stage upon the road.

The President :

Translation : Mme. Freundlich (Austria) will address the Conference.

Mme. Freundlich (Austria) :

Translation : Mr. President, ladies and gentlemen — The consumers' representatives present at this Conference have requested me to speak on their behalf, and as I am the only woman belonging to a national delegation, I would ask you to allow me to speak also on behalf of all housewives and of women in general.

The most characteristic features of the present world situation are the precarious existence led by the individual and the insecurity of national economic life. War, it has been said, is only an extension of politics by other means; similarly, the

economic peace of to-day is only a continuation of the late war with different weapons.

Barbed-wire entanglements have given place to new frontiers in the form of high Customs tariffs, which imprison goods and men as if in a trap and prevent national economic life from developing on normal lines. Old-established organised undertakings have been destroyed, new factories and works have been built in neighbouring countries and new industries are springing up at the expense of those already in existence. In one country there are thousands of unemployed, and the loss of their purchasing power is destroying the home market; in another country, where new industries have been established, there is not enough labour for agriculture, and the agricultural output has consequently fallen. This situation is the result of the theory, enunciated during the war, that every country should be self-supporting; but the war itself proved that no country can afford to regard its own economic resources alone as an adequate means of subsistence and development.

After the war, protectionism was not immediately adopted in every country, but the bad example of certain countries unfortunately affected others. Austria, for example, waited for some time before increasing her Customs tariff, but in the end we were obliged to take defensive measures. The increase ranged from 5 to 15 per cent, and we are still below the other Succession States. It will be the work of this Conference to find a means of breaking down these Customs barriers. The state of competition from which we are now suffering must ultimately yield to the practice of co-operation.

The present situation is bound, owing to taxation and Customs tariffs, to lead to a rise in the cost of living and to the impoverishment of the masses. No one is in a better position to appreciate the difficulties to which I have referred than the consumer, who can neither increase his income nor do anything to bring about a fall in prices. Notwithstanding the increased output due to technical progress and advances in methods of organisation, the general standard of living is not rising, nor is the world economic system developing as it should. On the contrary, in every country insecurity is the bane of the working classes, and indeed of every other class. It is becoming increasingly difficult to maintain a coherent economic system in any country except by artificial means, because business concerns and private households alike are using the last remnants of their former fortunes and the number of the penniless is steadily rising. No sooner has currency stabilisation lessened the general feeling of insecurity than a new form of instability is created by export prohibitions or by an increase in railway rates or Customs duties, and thus every nation is kept in a state of perpetual crisis.

The consumer is vitally interested in economic security and stability. He is obliged, out of a very small income, to support his family and to educate his children, and despite all he can do he cannot plan his expenditure in advance. That is why consumers demand freedom of movement for goods and men. This freedom will not lead to anarchy, for every consumer who appreciates the position realises that he cannot obtain security unless the economic system is organised in such a way as to meet the needs of the community. Even captains of industry have realised that any form of freedom which fails to regulate demand or supply is an economic danger. This is confirmed by Henry Ford's dictum that we must create the demand before we can produce the supply, and by the increasing number of international agreements in various branches of industry.

There are, of course, two ways of reorganising economic life: a despotic method and a democratic method. If we are to reconstruct the destroyed and dislocated market, which is what the consumer regards as the main object of this Conference, we must establish some form of international co-operation. The organised consumer who is also a co-operator realised this nearly a century ago.

To-day private industry is anxious to renew the experiments carried out by organised consumers during the last few decades. International cartels and trusts are simply a tentative experiment in the organisation of the market and the distribution of production among the industries of the different countries. Despite the importance of this reorganisation of the market, which would provide steadier employment for labour, the consumer, whether he regards the matter from the point of view of a purchaser or from that of a worker, cannot lose sight of the fact that cartels, whatever their form, constitute a serious danger. An agreement the sole object of which is to secure manufacturers' profits is a menace to labour conditions and price stability. In the absence of competition there is no check on prices, which soon become monopoly prices and thus threaten the consumer's standard of living.

Effective control is the only means of regulating price policy. The word "control" has an unpleasant sound in the ears of those who are absolute masters of the economic system and who regard themselves as free to manage their own affairs without interference. The economic life of a country, however, is the affair not of individuals but of the nation. That is why control is necessary, and that is why consumers will exert every endeavour to secure it. National and international control must be designed and carried out on uniform lines, so that the mere semblance now found in certain cases may be converted into an effective reality. Cartels and other industrial agreements are not justified unless they represent not only the interests of the rich but also the economic interests of the nations as a whole. The fifty-two million consumers in the International Co-operative Alliance will work unceasingly for national and international control, both as consumers and as citizens — by means of that precious weapon of democracy, the vote.

If we are to avoid the indefinite protraction of our sufferings in different forms, we must guard against a new and economic tsarism.

Consumers are aware that their living conditions also depend on agricultural production. Agriculture cannot artificially extend the area under cultivation or keep on increasing its output. It therefore needs to be protected not only by a reorganisation of output but also by a reorganisation of distribution. The millions of small farmers whose business it is to feed Europe have to solve a difficult problem with limited means and inadequate resources. Individual farmers can improve neither their methods nor their means. Once grouped together into big agricultural co-operative organisations which can improve their credit and equipment, they could provide on more rational lines for European needs in the matter of foodstuffs. The fact that at the present time agricultural produce passes through the hands of so many middlemen means a drop in value and an increase in prices. The memoranda of the International Labour Office and of certain co-operative organisations — which are not yet complete, as neither the agriculturists nor the consumers possess detailed statistics — prove how much could be gained by establishing direct relations between agricultural co-operative societies and consumers' co-operative societies, and

how profitable a scientific adjustment of such relations would be. Every Government ought to undertake to promote and encourage their establishment, in order that production and consumption may develop side by side.

No brief conference can ever settle European economic problems, still less world economic problems. We must set up a permanent institution, a world economic centre. Such an institution could only be successful if it were representative of every class. First and foremost the consumers' interests must be protected against the unilateral action of producers, by representatives of consumers' co-operative societies and representatives of housewives. Consumers are not yet represented internationally, and are therefore entitled to claim a place in this new body.

World economy suffers from the total absence of solidarity. It is not a mere accident that only one Government has included a woman amongst its delegates and that only one woman sat on the Preparatory Committee. In Europe, immediately after the war, the mothers set a supreme example of solidarity. They took to their homes the children of former enemies, helped one another and thereby helped to heal the wounds caused by the war. Had there been women sitting round the table at which peace was signed, every page of the treaties would have borne the impress of solidarity. A woman knows that when a child is killed, when a child is hungry, there is always a mother to weep, a mother's heart that bleeds. That is why women have a deeper feeling of international solidarity and why they come to be regarded as unfitted for strife, particularly economic strife. Women constitute more than one-half of the human race, and we must allow them their proper share in any decisions. The majority of women are housewives who in their small households help to build up the world's economic system.

The permanent institute should include women, whose aim it would be to create greater security in the matter of living conditions, working on the side of consumers and of the economically weaker section of society. If the old methods prove inadequate we must apply new ones. The old methods of competition and strife must give way to co-operative effort and organisation. It will then be possible for natural forces to develop freely and for production to increase without hindrance. All nations, great and small, have an equal interest in this movement, and it is our duty to serve their cause by every means at our disposal.

I appeal to you, on behalf of the women of Europe and of the whole world, to work for the fulfilment of the League's great ideal by means of the International Economic Conference; I appeal to you to create economic solidarity between all nations.

The President :

Translation : I call upon M. von Siemens (Germany) to address the Conference.

M. von Siemens (Germany) :

Translation from the German : Mr. President, ladies and gentlemen — International Economic Conferences are a post-war phenomenon. Before the war, international conversations only took place for the solution of urgent isolated problems. The present Conference, however, like previous general conferences, has another object in view. They cover practically the whole field of economic activity and are designed to discover the means whereby economic factors can be adapted to the new conditions created by the war itself, by its political consequences, and by inflation.

Economic life had formerly, indeed, shown a power of adaptation to changed conditions, and the new order was established after the war in the light of this experience, in the belief that, when certain temporary difficulties had been overcome, the economic structure would soon adapt itself. Two points, however, were apparently overlooked; firstly, that war and inflation had greatly weakened the economic system in itself and had also brought about structural changes, and secondly, that external influences of a powerful and fundamental character had not only affected certain parts of the economic machine but had actually changed the fundamental conditions governing its structure.

I think, too, that in many quarters there was an insufficient appreciation of the significance of economic problems from the national standpoint. Many people certainly failed to realise that the welfare both of the State and of the whole population are directly dependent on the economic activities of the country, and that the standard of life of each individual citizen, and even cultural and social progress, are governed solely by the economic situation. A scholar who is not in touch with economic questions — an archeologist, for example — used not to realise that he could only pursue his studies if economic prosperity enabled the State to obtain the resources that would enable him to continue his scientific work, which, incidentally, was very remote from economic activities. Politicians, above all, did not always realise how production is affected by the application of their schemes and ideas, and did not stop to consider whether the additional burdens resulting would not, when passed on to the consumer, reduce the latter's standard of living.

Economic activity — that is, production and trade — have too often been regarded as a means of acquiring wealth, or, at most, as concerned with the material requirements of the population, and only a very few people realised to what an extent the standard of culture of a nation is affected by economic conditions. Economic activity is not self-seeking, but constitutes the very foundation of the State and of society.

The great economic depression through which our country has passed has awakened us to the importance of trade and industry, and I believe that the same applies to many other countries. The conviction that no State — no economic unit — can consume more than it produces, that no individual is entitled to receive more than he contributes towards production and that national standards of living depend on the average production of the population — this conviction, which has been more widely recognised in other countries, is becoming firmly established in our own. Those responsible must therefore endeavour to raise the total national production to the highest possible limit.

There are few countries, however, whose economic activities are confined within the national frontiers. The home market will, of course, always play a decisive part, and in countries where agriculture supplies the whole or the major part of the nation's food agricultural prosperity will be of fundamental importance in determining the national standards of living.

Industry and agriculture are closely interconnected, and the prosperity of the one depends upon that of the other. But for many reasons the exchange of goods between the different economic units appears indispensable, so that here again it may be said that the prosperity of one country depends upon that of the others. This applies above all to the European economic units, which are to a certain degree structurally

interdependent, particularly now, when new and, economically speaking, arbitrary frontiers have been fixed, and old units have been dissolved and new ones created, or parts of old units incorporated, regardless of economic relations. This, in addition to the dislocation of the economic situation brought about by the war and inflation, and to a certain extent also by revolutions, must have considerably reduced the effective power of the economic machine as a whole. It is obvious, therefore, that, if the Governments of the different countries wish to achieve their main task — that is, to obtain and secure for their several nations a standard of living which is as high and as fully guaranteed as possible — they must strive to restore order in the economic conditions of the country itself and also in economic relations with other countries, and thereby enable the various economic units to plan a long way ahead. For nothing is so harmful to economic life, nothing handicaps economic progress so seriously, as uncertainty and sudden changes.

Looking at the matter simply from the point of view of production, it seems regrettable that this new order cannot be founded on purely economic considerations, and that what I might venture to call the "imponderabilia" still constitute the decisive factor. It is for politicians to remove these economic obstacles in order to allow of free development. They must, however, be acquainted with the fundamental demands of trade and industry — which it will be for the latter to put forward — if they are to fulfil their mission.

We have been summoned to seek by joint discussion, and on the sole basis of our experience as economists, without being bound in any way and on our own responsibility only — we are here, I repeat, to seek for a policy to propose to the responsible political authorities in order that the goal we are all striving to reach — the improvement of the standard of living of our peoples — may be attained.

I think the Conference will have achieved a great success if we can make recommendations — partly, perhaps, of a preparatory character, paving the way for the future — which will convince the world that, given a certain amount of goodwill, it will be possible for the politicians to carry them into effect without delay. The economic conditions of a country develop very gradually. Slowly, almost imperceptibly, they adapt themselves to changing conditions; only rarely and in a small field can this adjustment take place, as it were, by leaps and bounds.

When war broke out, production was called upon to fulfil entirely new requirements, which had above all to be met as quickly as possible and regardless of supreme economic considerations. There was a demand not only for the manufacture of goods necessary for the conduct of the war itself but also for the production of materials and finished goods which countries were accustomed to buy, at lower prices and of better quality, from other countries. A great deal of capital had to be sunk in production for this purpose.

After the war, and as inflation steadily grew, the economic situation became wholly obscured. Stocks of raw materials and finished articles were reduced to a minimum and had to be replenished. It was a time when the producer had no trouble in finding a market and the consumer was very glad to obtain inferior goods at obviously exorbitant prices. In the hope that inflation would prove to be only a temporary phenomenon, and with a certain conservatism inherent in the human mind, efforts were made to keep to the old notions of value. This attitude was encouraged, too, by the severe legal measures which were taken.

Thus it came about that goods were sold abroad at absurdly low prices, and the sellers were as a rule under the impression that they had acted very profitably for themselves. The seller failed to realise that the yield from the sale of these articles did not even cover the cost of production for a new article of the same type, and that part of his capital had been presented as a free gift to the purchaser.

It soon became manifest, however, that some of the wheels of the extremely complex economic machine were becoming clogged. Indeed, parts of the machine which were essential to the working of the whole were affected. Drastic action had to be taken to avert a complete breakdown, and often there was no time to consider the harm done to other branches of economic activity by such intervention.

This active intervention in the natural working of the economic machine is called in our country "Zwangswirtschaft" (Government control). To a certain extent such intervention was justifiable and necessary, but often it continued too long, and it was sometimes applied without knowledge or consideration of internal relationships, thus bringing about arbitrary structural changes which tended to reduce economic activities still further. Often such action was taken for political reasons.

This Government intervention, however, has now for the most part been abandoned, because it was clearly recognised that it was bound to hamper economic activities and reduce production and, in consequence, to increase costs. A form of self-imposed voluntary Government control still exists in Germany in two fields: firstly, in regard to rents, and, as a consequence, in regard to building, which, as far as the building of dwellings is concerned, is to-day almost exclusively in the hands of public bodies or public utility undertakings. Whereas prices — except where they are appreciably influenced by the prices of imported raw materials — are only 35 per cent above the pre-war level, building costs are 73 per cent higher according to the official index, and 90 per cent higher in actual fact, although the material and wages concerned belong almost exclusively to the home country. It is interesting, too, to note that the increase in the cost of living, and above all in the cost of necessaries for the great mass of the population, is especially great in those cases where control is most highly developed.

Then again, for political reasons, Government control still exists in Germany in the matter of salaries and wages. These are fixed at the discretion of officials of the Ministry of Labour and are legally binding on employers, whereas the corresponding obligation on the part of the workers, though it may be laid down on paper, cannot be enforced, as has been shown by the experiments made in New Zealand and Australia.

The influence which Governments exercise to-day on the economic activities of their countries is very much greater than before the war. This is particularly clear in the field of industrial production. Before the war, it is true, Governments considered it important that their countries should possess a so-called armament industry sufficiently developed according to the conceptions prevailing at that time; but only in rare cases was special action taken by a State to encourage, for reasons of national defence, branches of production which could also be made to meet general requirements. The war has shown that it is very difficult to draw a distinction between the armament and other industries, and that many branches of production which on the surface appear to be unimportant for war purposes may ultimately become vital.

The war is still too recent for us to form an impartial opinion on this matter, and it is perhaps natural that we should still be biased by our war experiences. Moreover, we have not yet, perhaps, sufficiently realised the harm that is done to the standard of living in a country if too much attention is paid to war experiences. This is probably a reason — perhaps even the main reason — for the measures of Government control taken, that is to say, for the restrictions imposed on international trade which, without those restrictions, would be the outcome of natural conditions of production.

The second reason for State intervention lies in the fact that the extra plant brought into existence through the war and the period of inflation has now become superfluous, and the capital invested therein has really become valueless. Economic circles themselves are reluctant to face unpleasant facts. It is fatally easy to find excuses to postpone the application of the only proper remedy, in the vague hope that some unexpected development may save the situation.

The third reason for State intervention in the natural processes of production is that, as a result of an exceptional but temporary trade boom, costs of production in one country have greatly risen and cannot be readjusted to the normal level, corresponding to the economic situation of the world, without severe conflicts which may, of course, have political repercussions as well.

For all these reasons there is an ever-growing tendency for industrial circles to ask for State assistance, on the ground, of course, that precedents already exist. The granting of State assistance to a branch of industry simply means that that branch obtains help at the expense of the others, whose costs of production are increased by the amount of such assistance; so that once again it is ultimately the consumer who pays.

But there is yet another extremely serious danger. It is, of course, much more convenient to obtain help from others than to help oneself, and man, like the electric current, takes the path of least resistance. In most cases it is not difficult to prove that in certain circumstances the maintenance and development of an industry is of very special importance to the country, or that special circumstances exist which prevent that industry from obtaining its share of markets by open competition with similar industries in other countries. Such a procedure is much more convenient and calls for a much lower standard of efficiency than would be required if the industry had to secure its share of the market by its own efforts under conditions of free competition. At the same time, such a course tends to lower the level of that industry and to make it still more inefficient. The circumstances are unfavourable to technical progress, and as such an artificial existence cannot last indefinitely, the inevitable consequence, as regards the national economy as a whole, would be not an improvement but a further decline. Those who suffer most from this state of affairs, those who have to bear the cost, are the people of the country themselves, since the general standard of living is lowered.

In the case of an economic unit which is rich and self-sufficing, where imports and exports are only of small importance compared with the total production, such a policy may be pursued for a long time without noticeably harmful effects. It would be quite impossible, however, in the case of the economic units of Europe, which are interdependent.

I do not mean that, given the economic conditions existing in Europe to-day, regulating factors should not be introduced within reasonable limits, but I certainly think that the form in which the

State at present exercises its influence on the national economy, by high Customs tariffs wholly unjustified by natural differences, import prohibitions, concessions granted on special conditions, export bounties, and the other means employed to-day in such circumstances — I think, I say, that these measures, taken as a whole, can only lower the national standard of living and hamper future development.

The same influence is exercised by international financial obligations contracted for non-economic reasons. They can only be fulfilled by increasing exports or imports beyond natural economic requirements, and such a course means the adoption of a new policy of production, and necessarily affects all the countries concerned in the world market.

The old watchword *do ut des* applies with as much truth in the life of nations as in the life of individuals. It would be a very bad business policy, and one which could certainly never last, to ask for a thing and refuse to give an equivalent in exchange for it. Occasionally, perhaps, this method might succeed — if, for example, the other party were hard pressed; but it can never be adopted where permanent business relations have to be maintained. The national economic units of Europe depend particularly upon permanent business relations, and we are aiming very high when we attempt to establish such relations as will satisfy all and promote the economic development of all, so as to enable them to fulfil their duties to their own peoples.

At the present time nearly all the economic units of Europe are faced with a new problem which once was practically non-existent — the problem of unemployment. Before the war, unemployment as a permanent phenomenon was unknown. To-day, however, it may almost be said that a new class of men has come into existence, whose capital is their labour but who have no chance of using it to earn their living. It is the sudden increase in the supply and in the cost of labour in Europe which has led to the emergence of this new class, and also to the far-reaching change in European industry which we call rationalisation. During the war economic activity was confined to the task of the hour, but afterwards it was compelled in Germany to fight for its existence, which was threatened by the attempts at internal political change and by the effects of political intervention on the part of other countries. To these difficulties was added the great dearth of capital. Meanwhile other industrial countries were able to utilise these years to advance their industries, and it was thus necessary for us to rationalise our working methods; at the same time this rationalisation could not be carried out gradually on account of the sudden rise in the cost of labour. It had to be hurried on, with the usual economic result — unemployment; so that it was the people who suffered.

The dearer labour is, the more will those who count the cost turn to machinery, thereby adding once more to the numbers of unemployed; there can be nothing more demoralising for a man who is a father of a family than to be able and willing to work and do his duty as the breadwinner, and to have no chance of doing so. The State must step in and give these poor people at any rate a bare subsistence; but once again the cost will fall upon production — that is to say, upon consumption. Thus rationalisation does not cheapen commodities; nevertheless it will continue to advance, because the individual is relieved at the expense of the community. True, he also

belongs to the community: but the burden imposed on him weighs less heavily.

The main question is whether it is better, from the social point of view, to give work to the greatest possible number but at a lower rate of pay or to give the highest possible wages to those who have work and from their earnings provide a bare subsistence for the remainder.

We often talk of depleted purchasing power, and consider how it could be increased — *i.e.*, how consumption (or, in other words, production) can be increased, thus providing work for the unemployed. At the present time there are two conflicting theories in Germany on this subject. According to one, we should try to make goods as cheap as possible, so that the sum at present available for the purchase of commodities may be used to buy more goods; in this way the production both of commodities and of the means of production would be stimulated, and there would be an increase in the number of wage-earners and therefore of consumers.

According to the other theory, this method is too slow. It is better to increase the purchasing-power of those who are already employed, since their requirements are far from being satisfied. Consumption and production would then rapidly rise and would soon enable the number of persons engaged in production to be increased. Of course, the prices of articles of consumption must not be increased in the meantime.

Unemployment is undoubtedly one of the most serious economic and political problems with which we are faced, and it is one which, I think, is bound to exercise considerable influence on this Conference.

Much has been said and written recently on the question whether relations between the different national economic units could not be improved by agreements between kindred industries in the different units. That is undoubtedly a very noteworthy suggestion, which this Conference will certainly consider carefully. I will not go into the details of the question now. I need not say that I am very sympathetic to this idea in cases where careful enquiry shows that the method can be employed, since my own firm is a party to several international agreements of this kind.

I should like, however, to make a few general observations. These industrial agreements can only be carried into effect on the following conditions:

(1) The industries in the countries concerned must be accustomed to co-operate and come to understandings, because the international agreements must necessarily be concluded between national groups.

(2) National groups can only be formed where the number of firms concerned in an industry is not too large and provided that the industrial firms are of a certain minimum size!

(3) The class of goods to which the agreements apply must be clearly definable and comparable.

I should like to draw your attention to another point. It is only natural that those who are outside an industry should only have heard of the larger firms. We often hear them mentioned, and there is a danger that the public may receive an impression that these large firms represent the whole of that particular branch of production. That is quite wrong. The actual output of the larger undertakings is considerably less than the total output of small and medium-sized firms, both as regards the value of the product and the number of persons employed.

There is another point on which I should like to sound a warning. Slogans have already done a great deal of harm, and they should be particularly avoided in the economic world. "Organisation" is one of the latest slogans; it is regarded in many circles as a veritable panacea. Good organisation is undoubtedly a great help, but it is not an essential factor of success; its importance grows with the growth of the undertaking. Economic and technical progress is based primarily on the hard and unrelaxing toil of the individual and by his faith in the ultimate success of his efforts. If individualism is ruled out of economic life there can be no progress. Large-scale organisations are a danger to individualism, and I consider that the most important and the hardest task of the head of such a large organisation is to see that, even in such difficult circumstances, individualism is given its chance.

The Board of Directors of a large firm is entrusted with the administration of other people's capital. My father once risked his whole fortune, which he had accumulated by long years of work, upon the accomplishment of a technical and scientific task — the laying of one of the first cables. The risk was great, but he took it because he was confident that his calculations were correct, and he was able to do so because he was responsible only to himself and was not risking other people's capital. I could not risk the same sum to-day in the same circumstances, although the sum would represent only a small fraction of the working capital of our firm. I could not do so because I am the administrator of capital belonging to other people, who may not have the same confidence in my success.

Thus we must always take great care that the man who has ability and self-confidence can work with the prospect of success and be responsible only to himself; otherwise we shall find no one in the rising generation to continue our work.

In conclusion, I venture to refer to a point which, in my opinion, is of great importance for the relations between the different national economic systems. It is a matter in connection with which this Conference could render great service.

If we wish to reach agreement we must first of all understand each other, and make intercourse easier. To this end it is of primary importance that we should speak the same language — that is to say: we should mean the same thing by the same terms. We must, in fact, define our terms.

When we read the numerous memoranda that have been carefully and diligently prepared for our Conference we cannot help regretting that much unnecessary work has had to be done and even that erroneous conclusions have occasionally crept into these memoranda because the bases on which they are drawn up are too vague. The value of these works would have been very considerably increased if the authors had had at hand data which were really comparable. We continually find it said in these reports that no comparable figures exist. In these cases approximate figures have to be used in the place of the exact figures, which do not exist, and the natural consequence is that different enquiries show very different results. This gives rise to mistrust, and the parties accuse each other of creating false impressions.

The science of economics cannot progress because it does not rest on firm foundations. What are the sciences which have really progressed, and in what sciences does real international co-operation exist to the mutual benefit of the nations? Only in those fields in which terms are clearly defined. Why was it possible for the electrical industry to make such rapid strides? Because, fortunately a scheme of clearly defined measurements was established at the outset. Let us, then try to do

the same for the science of economics and establish for that science a scheme of measurements which will command world acceptance. Hitherto, this science has always been classed as a branch of philosophy. Let us try to make it an exact science.

This suggestion must not be understood in any narrow sense. The costs of production are being increased by needless labour — which costs money — with a consequent reduction of the standard of living; and all this is being wasted by what I feel bound to call the confusion of terminology existing in railway and Customs tariffs. To secure uniformity in this field is an international work in the truest sense of the word. It is a work which can produce valuable practical results; it will harm no one, and will not prejudice even the most wary and mistrustful politician. If the League of Nations could accomplish this work it would be rendering an immense service not only to the cause of economics but to that of international understanding.

The older we become the more conservative we are. There are many who believe that the economic systems and relations which have existed hitherto are the only right and practicable ones. I do not agree. Even in the realm of pure science itself, we have recently seen how old conceptions have had to be modified in the light of recent research. True, we have not yet found the philosopher's stone in the matter of economic organisation, but we must work hard to promote the progress of that organisation. As economists, we must remain conscious of our supreme duty, which is to provide for the welfare of the people as a whole. We must never forget that the result of our work will be to define the national standard of living from the social, material and cultural point of view. We must therefore advance warily and avoid any experiments which might prove failures and add to national burdens.

In the realm of science, international co-operation is taken for granted, and co-operation is largely responsible for all progress. International co-operation in the economic field cannot but benefit all. The time for secret intriguing is past. We have before us an admirable example in America, where these methods have long been abandoned.

For these reasons I welcome this International Conference, because it affords an excellent opportunity of promoting clearness and truth in this matter. My friends and I will have great pleasure in co-operating wholeheartedly in this endeavour.

The President:

Translation: M. Shidachi (Japan) will address the Conference.

M. Shidachi (Japan):

Mr. President, ladies and gentlemen — On behalf of the Japanese members of the International Economic Conference, I beg to convey to you our most cordial felicitations, and, at the same time, I wish to reassure you that we are here to collaborate most heartily with you, offering our humble quota toward the success of the Conference.

It is a source of gratification that the League of Nations has seen fit to extend more and more its efficient activities into the economic field and that it has already done much to bring about the desired fruition. It is unnecessary to reiterate that just and fair economic relations are the corner-stones of peace. If, therefore, unjust and unnatural trade barriers could be removed and liberty and justice were made to prevail, the peace of the world becomes ours without the asking.

The important items of the agenda of the Economic Conference are universal problems that concern all nations. Naturally, it is our desire to exchange views freely and frankly with our distinguished colleagues from other lands. Even in the questions that are primarily European, we have no thought of evading the responsibility of offering our hearty co-operation if, in so doing, we shall be able to contribute anything toward the promotion of world peace. To us, Europe is no longer a far-distant land, for no less than 17 per cent of our imports are of European origin. Whatever be our prosperity, it is theirs, and, likewise, their good fortune is ours. We are ever conscious of the deeper significance of the interdependence of nations.

Before I ask your indulgence for a few moments in order that I may present the viewpoint of Japan upon the general questions, may I call your attention to just a few predominant and salient economic facts which characterise our country? Its area is very limited and its natural resources are extremely meagre. It is one of the most densely populated countries in the world, having 157 people to the square kilometre. Moreover, the arable land that can be advantageously utilised in Japan proper is no more than 20 per cent of the total.

Such being the characteristics of our country, it is an absolute necessity for her to keep up her national life by the importation of foodstuffs and raw materials, the payment for which is met by converting them into articles that can be advantageously produced. As a natural consequence, we must of necessity make it our national policy to remove Customs barriers and to establish freedom of communication and commerce, as far as possible in co-operation with other nations. At the same time, I wish to state that it is our ardent aspiration to develop industries which can be beneficially conducted in our country. To this end we welcome the friendly assistance and concurrence of other nations.

Among the necessary requirements for the development of industry and the promotion of human happiness nothing is more vital than the reduction of the fiscal burdens of the peoples. It goes without saying that Governments are the greatest consumers. Since the world war their expenditures have increased enormously, causing a marked rise in the fiscal burdens of each nation and placing a heavy and undesirable pressure upon the productive industries of respective national units, to say nothing about the reduction in capital saving power. Judging from the fact that this situation is greatly impeding the commerce of the world and that the increase of national expenses is forcing a rise in the level of Customs, the curtailment of Government expenditure, especially military and naval expenditure, must be said to be the most essential step toward the removal of trade obstructions.

Differential levy of Customs and discriminatory treatment of persons and goods offer no small obstacles to commerce. They need, therefore, to be seriously considered in connection with the general question of Customs barriers.

As the development of natural resources through the freedom of economic enterprises is extremely important for the promotion of human contentment, it is the duty of every nation to bring about this realisation.

No less important is the equitable distribution of foodstuffs and raw materials, which is so closely co-ordinated with problems involving the development of natural resources.

We consider further that the removal of discriminatory measures in transportation and

navigation and the establishment of freedom of coastwise trade are also necessary requirements for a regime of freedom of trade.

Equally important with the removal of Customs barriers is the stabilisation of the currency and exchange of different nations. It is quite beyond our expectations to hope for the healthy development of industry without realising such a step. Without it, the natural outcome is the instability of Customs, giving rise to the unfair practice of dumping, thereby impeding international trade.

If international collaboration between producers' and consumers' organisations between Europe and America, on the one hand, and the Orient, on the other, could be brought about, then the economic well-being and happiness of humanity would be greatly increased.

The foregoing briefly constitutes the items of importance in the world's economy, as we look at it from the Japanese point of view. We are, however, inclined to believe that they are common to all nations; but, because of our national and geographical situation, I am obliged to point out one or two economic phases that are peculiar to Japan.

The economic unrest, together with the incessant internal strife in China, is a source of grave concern to all nations, particularly to Japan, whose relations and interests are so closely interwoven with those of that country. It is hoped that peace and order will soon prevail there, that her vast resources will actually be opened to the world, and that not only China and her immediate neighbours but all nations may reap a harvest from the Washington Conference and that closer international co-operation may be brought about in the Far East.

I believe that I am voicing the unanimous sentiments of my colleagues when I say that it is with the greatest satisfaction that we enjoy the participation of the United States of America in this Conference. This is so not only because of the close and extensive economic relationships between us but also because of the peculiar position which that country occupies in the economic world.

It is a source of great joy to see among us—especially because of our earlier expectations to the contrary—our colleagues from the Union of the Soviet Socialist Republics, with whom Japan has contiguous territories and vast possibilities in mutual economic relationships. We are confidently looking forward with great anticipation to the prominent role to be played by the Union in economic activities in the near future.

I wish to avail myself of this opportunity to add a few words regarding the present financial situation in my own country. During the war, Japan was no exception to the rule as regards her abnormal and unbalanced industrial expansion and the increase of circulation of currency. Just as the people began to realise the new order of business which came with the restoration of peace, we were overcome by a great disaster—the earthquake of 1923, which had an important bearing upon the subsequent development of our economic life.

I am not in a position to go into details of the recent financial crisis in our country, as it happened after our departure. However, when the news reached us, we were not so much surprised as chagrined. Unfortunately, we must reluctantly admit, as its causes, the lack of foresight and mal-administration on the part of the authorities and mismanagement on the part of some of the banking concerns, though it must be mentioned that some attempts were made at retrenchment and readjustment two years ago.

To explain the present situation, a few figures might be added. The total amount of current deposit of banks belonging to all the clearing houses of Japan was 2,600,000,000 yen at the end of last November, against which stood a cash reserve of 360,000,000 yen, or about 14 per cent. The ratios of cash reserve to current deposit in the first-class banks are much higher than the above figures, and those banks keep their assets liquidable. For instance, the total deposit of the five largest city banks in the first half of last year amounted to 2,205,000,000 yen, of which 1,367,000,000 yen was on deposit, the remaining 838,000,000 yen being on current account. The ratio of the cash reserve of these five banks to their deposits on current account is 23 per cent.

In our foreign trade, there was an excess of import over export amounting last year to 330,000,000 yen which amount, though a little larger than the year before, was about one-half that of three years ago. As a rule the balance of our trade is always against us in the first half of the year and favourable to us in the second. Hence we are now approaching a period favourable to our trade. Besides this, there is a considerable invisible export which reduces the unfavourable balance.

Taking the price index of Tokyo of July 1914 on the basis of 100, it was 182.2 per cent in March of this year, showing, however, a fall of 16 per cent within the last two years. This being the case, the

Bank of Japan has seen fit to reduce the rate of interest three times within the last two years from 7.3 per cent to 5.8 per cent.

In view of these facts, I am fully confident that we are equal to the situation, although we expect the readjustment to call for much thought and deliberation.

By way of conclusion I would like to point out that the post-war protective policies of different nations, the monopolistic control of raw materials and natural resources, and the inequitable distribution of population are undoubtedly three of the outstanding and unfortunate tendencies of the world to-day which are liable to affect the peace of the world. In particular, we wish to emphasise the absolute necessity for the continuous study of these three problems and for an attempt to find their fundamental solution.

We wish to close our observations as we began them. It is our hope as well as our ambition to collaborate most heartily with our eminent colleagues on the Conference. If, in our frank and candid exchange of views and our discussions during the next few weeks, we can contribute even a little towards paving the way to closer, smoother and more mutually advantageous economic relationships, we shall consider that our work has been amply rewarded and that the world has entered upon a new economic epoch.

FOURTH MEETING

Held on Thursday, May 5th, 1927, at 3 p.m.

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GENERAL DISCUSSION (*continuation*).

Speeches by M. Urzua (Chile), Sir Max Muspratt (British Empire), M. Dubois (Switzerland), M. Jouhaux (France), M. Colijn (Netherlands) and Baron Tibbaut (Belgium).

TELEGRAM FROM THE PRESIDENT OF THE PAN-AMERICAN COMMERCIAL CONFERENCE.

President : M. Georges THEUNIS.

GENERAL DISCUSSION (*continuation*).

The President :

Translation : I call upon M. Urzua (Chile) to address the Conference.

M. Urzua (Chile) :

Translation : Mr. President, ladies and gentlemen — It is my great privilege to speak in the name of several of the Latin-American members of the Conference.

Our Governments had no hesitation in accepting the League's invitation, because they attach the greatest importance, from the point of view of world economic interests, to an assembly representing all the countries of the world, an assembly of eminent statesmen, jurists and representatives of the most famous scientific, industrial and commercial institutions, all inspired by the highest

ideals and met together to throw light on the path which should lead to progress and international prosperity. They believed that the proceedings of this Conference would be, as it were, a lighthouse, revealing by its beams the dangers which lie hidden in the darkness of a stormy night.

It was our desire, in the first place, to show by our presence that all the countries of the world are bound together by links of solidarity. *Homo homini lupus* is not true, nor is it true that the ruin of one nation means the prosperity of others.

Patriotism need not run counter to the noble principles which have guided man in his greatest triumphs. We belong, each of us, to our individual nations by reason of the benefits they offer us and the noble moral and material heritage they have handed down to us, and they are entitled in return to their full meed of devotion. Each individual nation, however, forms part of a vaster community including all nations and carrying with it all the rights and duties attaching to society. There exists between these interdependent peoples a network of reciprocal rights and obligations, and it is an international duty to accept and carry out those obligations. The selfish exaltation of exclusive patriotism, the foolish exaltation of internationalism which leads to a disastrous neglect of patriotic duties — these are not our concern. Our concern is to harmonise, to synthesise our duties towards the family, the nation and humanity.

We are able, therefore, to support the objects of this Conference, which is designed to promote the universal interpenetration of the different nations based on universal economic interdependence, and we have ventured to come here in order to contribute our mite towards the work of peace and progress which the Conference is to achieve. It has been a matter of special congratulation that eminent scientists and scholars have offered their co-operation.

What direction are we to take in the vast labyrinth of economic problems, discussion of which is clouded by the dark veil of conflicting interests? Where shall we find the thread of Ariadne to guide us out of our difficulties if not in those universally applicable scientific principles based upon truth and justice and themselves immutable? Economic science holds the magic key to the enigma, and the vast treasury of the laws which rule the moral world, as physical laws create the wonderful harmony of the universe. The economist attains the heights of scientific truth and, over the vast horizon which opens to his view, surveys the interests of all mankind with an unbiased eye, seeing in the vast majesty of the laws which govern society the sovereign truth and the ideal of democracy and fraternity.

Neglect of these principles by the different nations of the world has invariably led to an artificial life and to a useless expenditure of energy, and these in their turn to terrible crises and financial and economic disasters. This neglect, together with neglect of the principles of justice, lies at the root of the social upheavals and fratricidal wars which have marred the course of the centuries.

Scientific doctrine has invariably been underestimated by Governments, which have simply dubbed its supporters Utopian theorists. So, too, the Governments have neglected the principles of justice, divorcing them from economic science, quite oblivious of the fact that the production, circulation and consumption of material wealth are intimately bound up with the application of these principles and of the further fact that social peace will never be achieved until those principles reign on earth.

The experience, the statistics and the estimates which experts and men of note in trade and industry have already contributed and will continue to contribute during the debates of this Conference will undoubtedly be of the highest value, but we must look to scientific truth to light us on our way.

The general tendency of this Conference is to seek a solution in liberty as regards certain forms of economic activity. This ideal has prompted the suggestion to do away with the useless or dangerous Customs barriers, which stand in the way of commercial and industrial progress. I heartily support this suggestion.

A great Frenchman once said: "There are no more Pyrenees". Looking ahead over the vast destinies of the New World, I wish that I could one day say: "There are no more frontiers".

I shall allow no difficulties to prevent me from supporting any proposals that may be put forward with this intention. Certain interests, I shall be told, important, deep-rooted interests, stand in the way. Not at all, because, having once taken a wrong turning, the further one goes the more difficult it is to return. If the return involves sacrifices in the interests of humanity, it is only right that we should make those sacrifices now, in order to prevent worse suffering in years to come. I may say at once, therefore, that I shall refuse to support any proposal designed to abolish or weaken competition, which is the most powerful factor in progress and industrial development. Without it there are the dangers of routine. Competition

automatically adapts production to requirements without any need for a central authority to issue orders to the army of producers. Competition is the surest means of reducing prices; it tends, by protecting consumers against the dangers of monopoly, to destroy the exorbitant claims of producers; and it eliminates badly organised concerns.

Liberty may lead to abuses which call for the application of judicial sanctions and moral restraints, but that is no reason for condemning it, any more than we could condemn the air because it may sweep round us in a cyclone.

Viewed from the social and economic standpoint, that is the regime which is most favourable to production, the regime attended by fewest dangers and difficulties. Small and medium-sized industries promote the maintenance of social peace, and we must do nothing that would tend to make them gradually disappear from all branches of production and trade, thus leaving the field free for a few gigantic undertakings.

It was a liberal principle that led the Preparatory Committee for the Economic Conference to attack the vexatious demands of Customs regulations; in virtue of this same principle, steps should be taken, save in exceptional cases, to break down the barriers which stand in the way of the free circulation of capital. The export of capital, which results from the right of property, promotes economic expansion; it increases the external influence of the nation, facilitates the export of commodities, and increases both the income of the capitalist and the wealth of the nation.

The same applies to emigration. In certain European States, unemployment constitutes a perpetual and at times an alarming phenomenon; it seems inhuman to oppose, either directly or indirectly, the emigration of numbers of individuals who might find remunerative work in America. The South American Continent, with its immense natural endowment of riches, does not yet possess a sufficiency of the two elements essential for production: capital and labour. In your attempt to improve the economic conditions of mankind, I would urge you to look towards the New World, where you will find stores of riches waiting to supply the requirements of your peoples, and to develop every branch of industry.

I should like to add a word on currency stabilisation. The sad experience of close upon half a century entitles Chilians to speak with full authority on this subject.

Non-convertible notes, with their frequent and sometimes violent fluctuations, lie at the root of the chief economic, financial and social ills. Here we have a poisonous gangrene, a source of social injustice which enriches the few at the expense of the many, a great corrupter of peoples and of Governments; this factor, as certain authors have very rightly pointed out, produces a regime amounting to legal robbery.

This Conference might perhaps pass a resolution strongly condemning this disturbing factor in the economic life and commercial relations of every country.

I should like to submit a suggestion which would, if put into practice, eliminate certain difficulties that now stand in the way of trade and industry: this is that all nations should have a uniform currency — the pound, the dollar, the mark, the franc (the name is unimportant) — of a standard value. Although this idea would not be easy to carry out, I wish to place it before the Conference in order that it might be left, as it were, to germinate in fertile soil.

We all have something to contribute — polished marble or rough-hewn stone — to the vast edifice,

which will be an arsenal, a treasure-house of ideas, doctrines and experience.

Opposing interests do exist, but the poles of the two hemispheres are not antagonistic: each has its place in the harmonious scheme of nature.

The President:

Translation: Sir Max Muspratt (British Empire) will address the Conference.

Sir Max Muspratt (British Empire):

Mr. President, ladies and gentlemen — It is my privilege and my responsibility to give a short account of the economic condition of Great Britain as we see it, because we believe that if we are wrong you can set us right, and if we are right we can contribute a great deal to the world at large.

We are, comparatively speaking, a small nation with a large population in comparison to our size. Indeed, I believe that, according to the latest figures, the concentration of population in Great Britain is greater than in any other country in the world, and as a result we have to face great problems and considerable difficulties. A larger proportion of this population is concentrated in the cities than is the case in any other nation in the world, and amounts to 80 per cent of the total population. The balance of the population is upon the land. Needless to say, this is not a good distribution from many points of view, but it is a result of the extraordinary industrial development of the last century, whereby Great Britain became almost the only — or at any rate for many years almost the only — manufacturing nation which depended for the livelihood and happiness of its population upon supplies of food from overseas.

The history of the last century has produced our economic problems of the present time. In many ways they are favourable, in other ways they are unfavourable; but, whatever the problems of Great Britain have been and are, they are of world significance because of the constant interlocking of trade and commerce all over the world with the interests and the needs of Great Britain. More than any other country in the world we are dependent upon the world for the feeding of our people. Rightly or wrongly, we have allowed that situation to continue, but at the present time that is the main problem with which we have to deal.

For over one hundred years we have been exporting manufactures, receiving in return food and raw materials. We have built up a great mercantile marine service all over the world, and for seventy-five years, I am proud to say, we have welcomed ships of every other nation without let or hindrance or discrimination of flag. During this long period our exports and our services (shipping, insurance, etc.) have been so great that we could not receive at home the payments for those services and for our exports, and, consequently, a balance to our trade was accumulating in almost every part of the world, which has been invested by the individuals in the country concerned in the development of new countries all over the world — docks, railways, opening of mines and loans for the development of new cities. This applies not least to the individuals in the country to which the previous speaker, my colleague from Chile, belongs.

The resulting resources in the form of foodstuffs and raw material have been available to the whole world on exactly the same terms as to Great Britain. We venture to suggest, with all modesty, that we have assisted in the development of a higher civilisation in Europe by all these steps in

which we have taken part, and notably by the development and distribution of tropical products, which have meant so much to the world at large and particularly to Europe.

Great Britain fully realises that similar services to civilisation have been rendered by many other countries, but I do not think that any other country has quite laid itself open to the dangers of its role to the extent that Great Britain has done. Owing to our geographical and historical position, overseas trade and the flow of exports have meant more to the people of Great Britain than to those of any other nation of the world. In the course of her trading history constant changes have taken place. Other nations developed their industries, sometimes on economic resources alone, sometimes with the assistance of tariffs, and more frequently by a combination of these two methods. Even so, Great Britain remains an integral part of the big industrial unit of Western Europe, and continues its interchange of fully manufactured products and (what is even more important) semi-manufactured products with her industrial neighbours.

As we lost some of the old markets which we loved we developed new markets before the war in a growing world, giving them and ourselves and Europe advancing standards of civilisation. New countries were opened up; new kinds of outlets were developed, enabling Great Britain to continue to feed her people and to improve their standard of living, and the standard of living of practically the whole of Europe.

The conditions produced by the war and the post-war difficulties have seriously disturbed the equilibrium of our economic life, as they have disturbed the equilibrium of the economic life of most of Europe. Except in the United States of America, and perhaps in Canada and the Argentine, the wealth of the world has been seriously reduced, and, though the population has increased, the total purchasing power has decreased and world trade has been restricted. This affects the shipping and exports of Great Britain. Curiously enough, our imports have been maintained to a marvellous extent as yet, but we cannot permanently maintain that big excess of imports if our usual methods of payment — exports, services, and the returns on overseas investments — are seriously restricted or reduced.

In common with the rest of Europe, our productive power has been artificially stimulated while the outlets of consumption have been reduced. Great Britain's supreme interest is to see a stabilisation of economic conditions and the recovery of purchasing power throughout the whole world. Every well-considered attempt to achieve this object, in whatever part of the world, will have the wholehearted support of Great Britain during and after this Conference.

It may be of interest to the Conference to know the internal position of Great Britain at the present time. Conditions have very much changed, and we have changed with them. We are working harder and more scientifically and efficiently; there is more production with shorter hours. At the same time there is more pleasure and amusement for the mass of the people, a thing I cordially welcome.

A black cloud of unemployment, however, obscures the sun for more than a million of our people, and the paramount duty of our statesmen, economists and industrialists, and of this great Conference, is to lighten this cloud, because it means so much to the world at large. We are bearing our burdens; we are meeting the position at home to a large extent. Much has been done in the development of new industries, principally for the home market. Much has been done by pledging our credit in our great cities for building new

houses for overcrowded populations. Much has been done in improving our cities generally, and much has been done to improve our efficiency.

Certain great industries, however, are suffering badly from the severe depression which causes so much of this unemployment. Cotton, iron and steel, shipbuilding and wool are the chief sufferers. If the depression in those industries is due to fundamental causes we shall, as in the past, have to adapt ourselves to the new conditions; but if it is due to causes which are partly artificial, then, in justice to our people, we shall have to see that those artificial hindrances to our prime industries are redressed or altered.

The iron and steel problem in particular is of extraordinary interest. The consumption of iron and steel, as you all know, has seriously decreased and the productive power has largely increased. The setback is very serious, and leads iron and steel manufacturers in every country to look for some solution. A fact which is often forgotten in that connection, however, is that, if the demand for iron and steel were increasing now to the same extent as it did before the war, there would be a market for the products of all the iron and steel works in the world at the present time. That is the kind of problem that wants looking into and thrashing out very carefully, and I hope that in the Committees the general lines of the world depression in iron and steel will be studied and solutions found for the present difficulties.

Great Britain is the largest individual importer of sea-borne goods of any nation of the world, and we suggest that the true interest of almost every country in the world, and at any rate of those which supply us, is to assist us in solving the fundamental problem of reduced consumptive power. If we cannot find a way out between us we shall still be faced with the problem of unemployment, and the supplying countries of the world will be faced with the reduced consumptive power of Great Britain.

In recent years we have been embarrassed by currency fluctuations. I believe that those are almost settled. Many of them have already been settled, and the others, I hope, are within sight of being settled. Again, the question of trade barriers has been a difficulty—in particular, the frequent alterations in and the increased complexity of Customs tariffs. This situation has forced us, to the great regret of many in Great Britain, to modify our policy of complete free trade. As yet, the alterations we have made affect only two to three per cent of our total imports, and, as a convinced Free-Trader, I hope that the world is going to enable us to reduce rather than increase that proportion of imports which has to pay import duties.

I believe you will not think it right if I do not make a very short survey of the position as regards the Dominions and Dependencies of the British Empire. I am proud to think that so many members of the British Empire are present here. I am speaking as a member of Great Britain, not as a member of the British Empire, except in so far as I am a member of the British Empire, because I live in Great Britain.

The Dominions and India have complete fiscal freedom. They contribute what they think to imperial services, and they do it in such manner as they see fit. All of them have tariffs, and most of them give a preference to Great Britain. Owing either to this or to the expansion of purchasing power in the Dominions, the proportion of Great Britain's export trade to the Dominions has increased as compared with the proportion of the total export trade of Great Britain before

the war. But has it hurt the world? Just as that trade has increased for Great Britain, so trade has increased for the rest of the world in a larger proportion than it has for Great Britain—that is to say, although we have increased our proportion of the total trade within the British Empire, our proportion of the world's trade is less than that which we have with the British Empire.

I think, therefore, that if anyone feels that we are unduly pressing our influence or our affection with the Dominions, I can assure you that an examination of the figures will show you that, much as we have benefited, the world as a whole has benefited even more.

The Dependencies of the British Empire are administered by Great Britain as trustees first of the inhabitants and then of civilisation, with varying degrees of self-government and power to advise on the part of the inhabitants of the Dependencies; these qualities we are extending as rapidly as we possibly can.

With the very rarest exceptions—I can only think of two small ones—no discrimination against the rest of the world as regards the export of raw materials is exercised by Great Britain, directly or indirectly. I know that friends of ours from a country across the Atlantic do not like the rubber restrictions, but I am sure that in all fairness they will recognise that, whether we were right or wrong in establishing those restrictions, we did not discriminate in any way in favour of Great Britain. Rightly or wrongly, we saw an important product, which was essential for modern civilisation, gravely threatened, and we did our utmost to conserve the rubber supplies of the whole world without attempting to obtain any special favour for ourselves.

This statement of mine has, I hope, explained shortly the economic position of Great Britain. We seek a more prosperous world. We seek a more economically peaceful world, and this Conference can count on the wholehearted support of the British member on behalf of every sound suggestion for attaining these ends.

The President :

Translation : I call upon M. Dubois (Switzerland) to address the Conference.

M. Dubois (Switzerland) :

Translation : Mr. President, ladies and gentlemen—In rising to speak, I am authorised to act as the mouthpiece of all the Swiss members of the Conference.

It is unnecessary for me to describe to you the present economic situation of Switzerland. You are well aware that, despite our neutrality during the war, Switzerland, surrounded as she was on every side by belligerent States, suffered in the highest degree from the effects of the war, and that all her scars are not yet healed. You know, too, that, having no access to the sea, possessing neither the principal raw materials nor mineral fuel, nor internal agricultural resources sufficient to feed her entire population, Switzerland is obliged to depend in a large degree on foreign trade, on imports and exports. You will understand, then, that Switzerland was one of the first countries to realise the economic interdependence of nations, and that she welcomed with great satisfaction France's proposal for the convening of the present Economic Conference and for a permanent *rapprochement* between the nations in the field of commerce, industry and even demography. Yesterday and to-day there have been placed before us general views and certain economic principles which may serve as a guide and indication for the work of our Committees.

So far as our discussions are concerned, I have certain suggestions to place before you and one regret to express.

I will begin with the regret. It is that our programme does not give financial questions — in particular, currency and the circulation of capital — the place to which they are, in my opinion, entitled.

The question of currency, it is true, has become less acute since the first session of the Preparatory Committee. Exchange fluctuations are less violent. Some countries have taken legislative measures to stabilise their currency, with apparently successful results. Others have achieved the same result *de facto* — that is, through their trade balance and the normal movement of their capital to and from foreign countries. Other countries, however, have a form of stabilisation which may be called *de facto* but is actually an artificial condition brought about by the intervention of the Government or the central banks, a provisional stabilisation under which the currency may be exposed to further vicissitudes, and rise or fall again. But economic reconstruction, industrial agreements and consolidation of the exchanges can only be assured when a sound and stable currency is definitely established in almost, if not every, State.

I trust that these considerations will not be omitted or neglected during the proceedings of our Committees.

I will now pass on to my suggestions. A further cause of instability is to be found in the shortness of the periods for which commercial conventions and treaties are concluded and the precariousness attendant upon them. These circumstances rule out normal programmes for industry and commerce stretching over a long term of years. This point, we think, should be specially dealt with by the Conference.

The same applies to Customs tariffs. We all know that in every country there are two opposite currents: those who wish to reserve practically the whole of the market of national consumption for national production and claim that a country can be self-supporting; on the other hand, there are the exporting industries and other circles which demand a greater number of facilities for the importer.

The most competent authorities recognise that, from the point of view of general international interests, the present ever-increasing practice of restricting imports presents very serious dangers and constitutes one of the principal causes of the present crisis, just as it may perhaps lead to future crises. This is also the firm conviction of the Swiss members of the Conference, and they are anxious to do their best, within the modest limits of their powers, both in their own country and in their relations with foreign countries, to promote international exchanges. We cannot, however, hide our deep apprehensions as to the feasibility of achieving this.

We have noted with regret, especially of late, that this restrictive tendency, which takes the shape of schemes for huge increases in Customs tariffs or other measures producing the same result, has been rapidly gaining ground in many countries, including some big and influential countries.

This is discouraging for those who are aiming at greater commercial liberty for their own country, while at the same time it encourages extreme protectionists.

The Swiss members of the Conference therefore venture to direct the sympathetic attention of their colleagues to the very serious effects which this view of international economic relations may produce, particularly in small States. Countries whose exports are greatly reduced as a result will

be forced to reduce their imports, and the whole system of trade will decay, with consequences disastrous to world prosperity.

We consider that the Economic Conference should exercise its moral influence in favour of moderation and should advocate a return to a broader and more liberal view of international commercial relations, particularly at this moment, when efforts are being made to promote international economic agreements.

We fully appreciate the advantages of all such agreements, which mean the relative stabilisation of production and concomitant security. We believe that they may prove most useful in certain directions, especially when they concern raw materials and materials for which there is a big demand. This applies, however, only on condition that they do not, by raising prices, reduce the consumer's capacity of absorption or increase the cost of living. We demand, further, that nations which do not possess raw materials should not be exposed to the risk of receiving insufficient quantities or of having to pay differential prices for such materials. Here again the Conference might pass recommendations to serve the general interests.

To sum up: the Swiss members of the Conference, while anxious to pursue these special objects, have come to Geneva with an earnest desire to contribute so far as lies within their power to the realisation of the purpose for which this Conference was convened. They believe it to be the beginning of an economic *rapprochement* which bears in it the seeds of future prosperity.

The President :

Translation : M. Jouhaux (France) will address the Conference.

M. Jouhaux (France) :

Translation : Mr. President, ladies and gentlemen — Speaking on behalf of those of my colleagues who represent the workers, I welcome the International Economic Conference as a recognition of the value of the ideas which the labour movement has always advocated.

The workers' organisations regard economic co-operation between the nations as an absolute necessity. On the very morrow of the war, during the Armistice period — in February 1919, in point of fact — the Trade Union and Socialist Conferences held simultaneously at Berne, when considering the essential conditions of peace and the bases upon which the future League of Nations should be founded, emphasised the necessity of giving the League that economic substratum which was advocated only yesterday by M. Theunis, our President. They declared that it would be for the League of Nations to prevent all economic warfare, and the programme they drew up included a number of the problems with which we are dealing now — both Customs questions and also questions such as scientific management.

In the same year, at the First International Labour Conference, held at Washington, the workers' group drew attention to the importance of the questions of raw materials and labour in the organisation of peace.

Events have since confirmed the apprehensions we then felt, and have shown still more clearly the necessity of following the path we marked out at the close of hostilities. The International Labour Conferences, the discussions of the Governing Body of the International Labour Office, the enquiries carried out by that Office, and, in particular, the enquiry on production, show that the workers' group has laboured ceaselessly towards this end and

has urged the adoption of measures calculated to remedy the instability of working conditions, production and trade and the constant rise in the cost of living.

Guided by these ideas, we told the Third Committee of the League Assembly in 1924 that the organisation of a lasting peace necessitated the framing not only of a legal system but also of an economic system of peace. Peaceful political relations, we said, demand and therefore presuppose conditions of economic peace. There could be no real peace in the scheme of political relations if economic relations were governed by principles of hostility, nor could there be peace in economic relations if political relations were unfriendly and bore within themselves the seeds of war.

Security in political relations can alone render possible an economic policy of concord and co-operation; and, conversely, an economic policy of concord and co-operation can alone render possible security in political relations. And we added that we had no doubt that the great step which had just been taken by the solemn declaration in favour of the organisation of permanent peace would soon bring the Assembly and Council face to face with this problem.

Some time ago, in order to meet similar needs in the field of intellectual relations, the League of Nations set up the Committee on Intellectual Co-operation. Now, in order to pave the way for this new economic policy, it will be necessary to set up a committee on economic co-operation. The nucleus of this organisation already exists in the Economic Committee of the League of Nations. This must be developed into a comprehensive technical and economic organisation. It will be for the new committee to determine the lines on which international agreements should in future be framed, the principles to which they should conform, the guarantees which they should contain and the sources of danger to be eliminated from them.

Allow me to add, speaking as a member of the Temporary Mixed Commission and as a representative of the workers, that I regard a committee of enquiry such as this as the first step towards the International Economic Council, the formation of which has been urged by the working classes and which will undoubtedly prove necessary for the definitive organisation of peaceful economic relations between the nations. Such an organisation will one day be evolved by an extension of the powers of the International Labour Office, acting in conjunction with the League of Nations.

This, then, was the origin of the present Conference. In 1925, as our President has pointed out, the Assembly of the League, acting on the French proposal submitted by M. Loucheur, decided to convene our Conference.

While we are glad, of course, that this first step has been taken, we feel bound to submit two observations. The first is that the workers are not represented at the present Conference in the way we would have wished, or as the Preparatory Committee had intended and the Council of the League had indicated. We have no wish to indulge in recrimination, but we think that in future conferences this rule as to the representation of the various economic interests should be scrupulously observed by all the participating States.

In the second place, we had thought that on certain important questions the present Conference might be able to frame conventions to which the Governments of participating States would be obliged to make their economic policies conform. We think it would have been possible, for instance, for this Conference to frame a convention putting an end to the raising of Customs tariffs. The

Conference will have failed to achieve its purpose if it leaves the masses with a bitter feeling of disappointment and dissatisfaction, if it does not resolutely face the problems weighing so heavily on international economic life and does not systematically pave the way for the solution of those problems.

During the present period of depression, how can we help being conscious of the inconsistency between the universal effort to increase production, culminating in rationalisation, and the policy of general retrenchment — in wages as in all other directions — which will inevitably lead to a decline of markets?

To adjust demand to supply by a suitable wage policy instead of adjusting wages to conditions of unbridled competition in a broken market: this is a bold idea certainly, but it is sound, for it is the way of salvation. The evil from which industry in general is suffering is to be found in the inadequate absorptive power of the markets, and this evil weighs more particularly on the working classes, who are suffering from unemployment to a degree hitherto unknown and whose standard of living itself is threatened.

Attention should also be drawn to the reprehensible policy of certain captains of industry who are trying to solve the difficulty of marketing their products by cutting down wages, not realising that this method merely aggravates the evil by reducing the purchasing power of the working masses, who generally constitute a large percentage of the population and whose purchasing power determines market conditions in every country. Again, we must condemn the makeshift policy of trying to secure the national market by means of ever-increasing protective duties, regardless of the fact that the effect of this method is to close foreign markets to those concerned.

These palliatives are worse than the evil itself. They are nothing but expedients, improvised in a blind instinct of self-defence; they must give place to a broad and comprehensive international policy, to rational measures carefully thought out and hence fair to all. I repeat: isolated action on the part of individual countries will never provide the real solution of our difficulties. This must come from joint concerted effort. It is the great force of international action which, employing international means and inspired by a truly international spirit, will ultimately succeed in determining and satisfying the common interest of all nations. We may venture to say, without fear of being classed as Utopian dreamers, that, if approached in this spirit, by these methods and on this plane, the most complex and difficult problems can safely be discussed with every hope of their settlement.

First and foremost among these problems is the question of inter-State commercial relations and the need for vigorous action with a view to the removal of trade barriers.

Analogies have frequently been drawn between economic armaments and military armaments, which are so closely allied. In either case general agreements alone will serve to check the evils of unbridled competition and pave the way for gradual and simultaneous disarmament.

Another problem is the disturbance of the equilibrium between agricultural and industrial production, essentially a world-wide problem which can only be solved by concerted international measures. Its solution lies not in impeding the vital and salutary progress of industry, but in a general agricultural policy framed in the interests of urban and rural populations alike and designed to secure technical improvements in agricultural methods and an increase in agricultural output. Another such problem, again, is that of the

rationalisation of industrial production, which can only be dealt with as a whole by the organisation of industries on international lines. Yet another problem is that of industrial agreements themselves; these may give rise to friction between producing and consuming countries, and the only solution is national and international control, which would dispel the mistrust aroused in the minds of the masses by such measures of concentration. Then there is the serious question of working-class migration, a problem which cannot be satisfactorily solved except by means of international negotiations, international compensation and international conventions.

If this programme is to be carried out, the Conference itself must continue to exist as an organ which will ensure the practical realisation of our aspirations and recommendations. We all know that this work is only a beginning; and therefore for those who have the success of our enterprise at heart the most urgent problem of the hour is to set up an organ whereby it will be possible to surmount not only present difficulties but all future difficulties as and when they arise.

With this object we propose the following resolution:

"An autonomous economic organisation shall be constituted within the League of Nations. It shall consist essentially of the following:

"(1) An Advisory Conference consisting of members appointed by the various Governments by reason of their special competence in the various economic spheres: finance, industry, agriculture, commerce, labour, co-operation and consumption. Such members shall not, however, receive binding instructions from their Governments.

"The Advisory Conference shall meet periodically, at least once every three years. It shall pass resolutions and recommendations, as a means of guiding the activities of the executive body mentioned below.

"(2) An International Economic Council, consisting of eighteen members. Twelve of these members shall be appointed by the Council of the League of Nations and shall be representative of the different nationalities and the different economic interests of the world. The remaining six shall be supplied by the Governing Body of the International Labour Office in equal numbers from its employers' and workers' groups.

"(3) The International Economic Council shall set up the technical committees required to study the various economic questions which should, in its opinion, be placed at one time or another on the agenda of the organisation. On the suggestion of these committees it shall summon special technical conferences, the members of which shall be appointed or empowered by their Governments with a view to the framing of international conventions on questions placed on the agenda by the International Economic Council.

"(4) The International Economic Council shall have under it a permanent Bureau or Secretariat with a director whom it shall itself appoint. The Council and its bureau shall keep in close touch with the League Secretariat and the International Labour Office, and shall also exchange information regularly with the national economic councils which already exist or which may be created in the future."

This, gentlemen, is how we propose to set the seal to-day on the idea conceived in the past by

those thinkers who planned the vast scheme of world economic organisation. This is the concrete expression of the aspirations of the peoples advancing steadily towards a higher civilisation, towards prosperity and peace!

The President:

Translation: I call upon M. Colijn (Netherlands) to address the Conference.

M. Colijn (Netherlands):

Translation: In my capacity as member of the Netherlands delegation, I take this opportunity of submitting a few ideas of a purely practical character. The causes which lie at the root of Europe's present difficulties are a matter of common knowledge.

The trouble is not that there is a lack of raw materials, nor is it that the prices of raw materials are too high. There is no shortage of equipment for working up raw materials; on the contrary, there is even a surplus. As regards both raw materials and equipment, quantity and quality are undoubtedly adequate. We are not faced with a business crisis such as occurred during the years 1920-22.

The uncertainty which existed a couple of years ago in the monetary situation of the world is now a thing of the past. In most countries the currency has been stabilised, and where stabilisation has not yet been achieved — as, for example, in France and Italy — the situation no longer appears to be fraught with danger.

If, then, all these factors of crisis which existed in past years have now disappeared, what is the real cause of the difficulties from which Europe is suffering? I feel I shall not be far from the truth when I say that one of the principal causes is the lack of freedom and the insecurity to be found in commercial relations.

I do not wish to dwell upon all the factors which have served to impede freedom of commercial relations. I do not propose to speak of labour control or capitalist organisations or of Government control over freedom of circulation. I shall not mention these factors because I do not think it is possible to take really effective measures to abolish them, even if we wished to do so, since they are to a large extent the result of a social development which is the product of a natural evolution in process since the middle of the nineteenth century.

I shall confine myself to those causes which may be abolished or attenuated by Government intervention.

The first of these is the increase in the number of Customs barriers since the conclusion of the Treaty of Versailles and the other Treaties of Peace, and the rise in Customs tariffs which has occurred in many countries. It is hardly necessary to mention import and export prohibitions or the complexity of commercial treaties and new tariffs. All these factors cannot, of course, be dealt with in our subsequent discussions. Those which concern international agreements must, of course, be omitted. Newly created States exist, as do their Customs frontiers. There remain, then, two big general questions with which we have to deal: Customs barriers and the lines on which commercial treaties and tariffs are established.

No one, I feel sure, will contradict me if I say that the high duties now in force have a disastrous effect on the cost of living in the different countries, that they bring about a rise in the price of manufactured goods and consequently affect the purchasing power of the peoples of Europe to such an extent as to impede production.

Undoubtedly the most efficacious measure in the economic sphere would be to reduce the Customs barrier to a level at which tariffs would correspond to purely fiscal necessities or would at most constitute only a slight protection for national products.

At the same time I am not living in the clouds. I know that in bygone times the walls of Jericho fell down when the trumpets sounded, but I do not think any trumpet-blast would break down the wall of Customs barriers immediately. Nevertheless, I feel that it is our duty to express our views as to the harm wrought to world prosperity in general and European prosperity in particular by excessive tariffs. I quite realise that in expressing this view we are not postulating any new principle, for many others have said the same thing before. Still, it is for us to proclaim the truth anew. Constant dripping wears away stone.

I trust, therefore, that we may find it possible, when we meet in committee, to frame a resolution to this effect which will meet with unanimity.

While we cannot expect immediate results in the matter of Customs tariffs, we may perhaps hope for more rapid success in other domains. I am thinking chiefly of import and export prohibitions and the quota system. Although there has been a marked progress in this respect since 1918, we are still far from the situation of twenty-five years ago; we should try to get back to the situation existing at the beginning of this century.

There is a second point which I think might usefully be studied, and that is the period of validity of commercial treaties. Commercial treaties formerly fixed the tariffs for a long term of years. Professor Grossmann in his memorandum (C.E.C.P. 24) reminds us that the Cobden Treaty of 1860, between France and England, was concluded for a period of ten years. Further, before the war it was the practice in Central Europe to fix tariff duties for a term of twelve years. The Conventions now in force, however, may be cancelled at six months' or one year's notice. Professor Grossmann mentions that more than 180 treaties were concluded between January 1st, 1920, and the end of August 1926. Of these treaties, four were for a term exceeding one year but not exceeding two; nine were for a term of three years, two for four years, six for five years, and six for ten years. The remaining 150 treaties (this is approximate) may be modified before the expiry of one year and many of them are for not more than three months.

It is perfectly obvious that such a system is detrimental to the stability and security essential for trade. I fully appreciate the great difficulties arising out of present conditions, but too much emphasis cannot be placed on the necessity for a return to pre-war stability.

The same applies to the method of establishing the actual tariffs. The gradual dropping of *ad valorem* duties and the widely prevalent introduction of *specific* duties have resulted in so detailed a classification of goods that exporters can hardly find their way about, quite apart from the possibility of these detailed classifications being employed for the purpose of favourable or unfavourable discriminations in regard to the products of some specific foreign country. I may say that they are sometimes actually so employed.

It may not perhaps be possible to return to the simpler system of *ad valorem* duties, but something must be done to obtain greater uniformity as regards both the system of classification and the nomenclature of tariffs, and I am glad to see that this question has been included in our agenda.

If we could arrive at some international agreement on this point and, generally speaking,

on the contents of commercial treaties, the economic situation would be greatly eased, especially as we should certainly have to find a common definition of the most-favoured-nation clause.

There is no need for me to dwell upon the theoretical meaning of that clause, but its application has given rise in practice to considerable doubt and uncertainty. We all know that it has not produced the result expected of it, namely, the automatic enjoyment of advantages accorded to a third party. We know, too, that the application of the clause has varied in different countries. Here we have yet another of the great difficulties that prevent a feeling of security and thus constitute a bar to trade.

These questions may not perhaps be among those calling for most urgent consideration (there may be others of far greater importance), but they are undoubtedly a great factor in the present European economic situation and influence the prosperity of the European States.

Further — and this is a most important point — the elimination of these difficulties is not beyond the realm of practical possibilities.

In conclusion, Mr. President, it is my sincere desire that this Conference may find it possible to go thoroughly into these various questions in committee and that we may be able to arrive at a general considered opinion as to the expediency of the following solutions:

- (a) The reduction of Customs duties;
- (b) The abolition of all import and export prohibitions and other restrictions such as rationing, subject to the exceptions mentioned in Article 4 of the draft Agreement, established by the Economic Committee of the League;
- (c) The abolition of exceptional tariffs in connection with ports of import and similar discriminations;
- (d) The restriction of sanitary measures to the purposes of health for which they were established;
- (e) Greater uniformity in commercial treaties;
- (f) Uniformity, wherever possible, in the technical composition of tariffs;
- (g) The stabilisation of commercial relations by a return to the pre-war practice of concluding commercial treaties for a number of years;
- (h) The removal of the existing uncertainty in regard to the application of the most-favoured-nation clause.

This Conference cannot, of course, take decisions binding on the respective Governments, but we can submit recommendations to them. If we can recommend the adoption of the measures to which I have referred, I firmly believe that this Conference will have played its part in the economic reconstruction of Europe.

We have simply to draw up our recommendations in a suitable form and there will be no need to concern ourselves with the final drafting. That will naturally take more time than the Conference has at its disposal. What is expected of this Conference, and what it is in a position to furnish is a list of the causes of the present economic situation and an indication of where a solution is to be found for the problems waiting to be settled.

The President:

Translation: Baron Tibbaut, Belgium, will address the Conference.

Baron Tibbaut (Belgium):

Translation: The economic disorder into which the world has been plunged, and which has led to

unbridled protection, has affected the various countries according to the extent to which they depend on foreign markets. Belgium, which lives on its export trade, has suffered from the effects of this disorder in every branch of its activities, including agriculture, but more particularly in the matter of industry. This experience naturally leads my country to side with those who seek to abolish the obstacles set in the way of trade and who appreciate at their true value the humanitarian objects of this International Conference.

One circumstance places Belgium in a peculiar position, and that is the extraordinary density of its population. It has 254 inhabitants per square kilometre. It cannot be self-supporting and has to export the product of its labour. This is a matter not only of prosperity but of actual existence.

In 1913, 45 per cent of the total production of Belgium was exported, and though this proportion dropped for a time we are now creeping up to the pre-war level.

Belgium faces the future with confidence, for it possesses solid guarantees of prosperity, not only in its geographical situation near the sea and in the transport facilities afforded by its complex network of road, rail and water communications, but also in the spirit of enterprise, industry and thrift which characterises all classes of the population.

Belgium, however, is acutely aware of the general economic disorder, as it not only has to sell its manufactured products abroad but is dependent on foreign countries for raw materials.

This exceptional situation even makes it necessary to export capital in order to create abroad industries for supplying raw materials or industries for the transformation of Belgian manufactures. Foreign financial assistance, to which we have had recourse and which has increased owing to the work of reconstruction, weighs heavily on the budget of the State and obliges us to rely still more on our exports as a means of paying the charges due.

Thus its past, its present and its future — its whole economic life, in fact — are so many reasons why Belgium should advocate the abolition of those artificial barriers which are multiplying throughout the world and which oblige it to take defensive measures based upon reciprocity.

Several large industries, in spite of strong individualistic tendencies, have entered into international agreements which place their activities on a normal basis and protect them from sudden changes which are as harmful to the consumer as to the producer. The Belgian Government took the first step, when under Count de Smet de Naeyer, it proposed the International Sugar Convention of March 5th, 1902, which is quoted in the able reports before the Conference.

This is not the time to expatiate on the important place which agriculture must occupy in world economy, as a means of preventing crises and mitigating their effects. We shall perhaps have an opportunity of dealing with this point in the Committee on Agriculture, and I mention it merely in order to congratulate the Preparatory Committee on having devoted a special section to the question and having rescued it from the oblivion to which it is generally consigned.

Consumers are somewhat prone to forget that they are as directly concerned as producers in stimulating agriculture, by eliminating internal and external obstacles. Far too often the public hinder the progress of agriculture by insisting on regulations which paralyse it. The intensification of production is in the last resort the only effective remedy for food crises.

Countries which, like Belgium, practise intensive and specialised culture are the quickest to feel the effects of any kind of hindrance. Belgium can never

hope to produce, by direct methods, all the cereals required. She follows the law of geographical culture and produces from the soil what that soil is best fitted to yield and therefore yields most plentifully. Belgian agriculture is directed to the production of high quality and the more expensive products, the value of which increases the gross return per hectare. This makes it possible to purchase from abroad, in exchange, five, ten, fifty times the amount of cereals that could be produced in Belgium by direct cultivation.

But for this purpose raw materials must be imported, and agriculture thus becomes a transforming agency, like industry, and aspires to freedom of trade on the basis of reciprocity.

Under the laws of political economy, agriculture must be placed on an equal footing with industry. These laws apply to agriculture as to other forms of economic activity, and experience has proved that those very persons who disregard them will be the ones to suffer.

Economists and sociologists are also beginning to attach importance to the social rôle which agriculture, in a specialised form, may play in industrialised countries. The International Labour Office has very rightly drawn attention to the matter in connection with workers' spare time.

In so doing, it may have had in mind the position of Belgium.

One of the characteristic features of Belgian agriculture is that it is not restricted to a few large or medium-sized estates occupying the whole attention of a family. The land is split up in such a way that it forms a vital part of the life of the population. One and a half million of the inhabitants of Belgium are in touch with the soil, the working elements in many cases being also engaged in other occupations. It is easy therefore to realise what social services agriculture, in its democratic form of small holdings, may render, particularly by allowing work-people to find a healthy and remunerative way of employing the leisure secured to them under the Eight Hour Act.

The system acts as a partial corrective of industrialism, which, in its earlier period of expansion, cut the workers off from all contact with the soil. The whole object of the movement for allotments and workers' gardens, which is now occupying the attention of the International Labour Office, is to induce the industrial worker as far as possible to get away from the enervating, irritating and depressing atmosphere of industrial cities and to interest himself in the joys of nature through his garden.

What physical and moral progress it would mean if every working family could have a plot of land where old and young could study the mysteries of vegetation and devote themselves to the growing of fruit and flowers, refreshing both body and soul by employing their spare time in open-air work in a community of effort which would surely promote the family spirit — the true pledge of happiness.

Now, if we extend our horizon beyond our own industrial countries and consider the primitive colonial peoples whom it is our aim to draw into the current of civilisation, agriculture once again becomes a means of improving conditions. It is essential to base the future of the native community, as far as possible, not on a universal application of the wage-earning proletariat, but on the ideal of a people of independent agriculturists.

In our opinion, these economic and social considerations, which have a general bearing, justify the Preparatory Committee's decision to reserve an important place in this Conference for agriculture, the mother industry, the origin

of civilisation and its surest guarantee in every phase of evolution.

From the agricultural as well as the industrial point of view Belgium is prepared to co-operate with the fullest confidence in the work of the world Economic Conference. It hopes that that work will serve to enlighten the public, which is itself partly responsible for the present economic disorder. Anxiety drives the nations to defend their activities by means of artificial barriers; they seek to turn economic currents to their own advantage, and thereby weaken the strength of the main stream. If the Conference can only bring out the evils of this vicious circle, this will pave the way for a fuller reconciliation of national interests.

In this connection the work of the distinguished Rapporteurs is most inspiring, and should impress the public and disarm that systematic scepticism to which all new ideas are exposed.

The Rapporteurs have produced highly instructive documentation pointing out the evils of protectionism and the way in which these evils may be attenuated, more particularly by means of a system, already extensively employed, of "harmonising" industrial interests. This method, which is due to private enterprise, appears to be sufficiently elastic to admit of further extension.

In my opinion, every step forward will help to dispel the illusion of protectionism, in that it will indicate a *de facto* protest against the evils of a system the effects of which it seeks to mitigate. The extension of industrial agreements will serve to destroy the fallacious idea that protection is a panacea. It will bring the whole system into discredit and lead to its rejection by public opinion and Governments alike.

Naturally, the development of commercial agreements will have to contend with "defeatism", which has attacked all plans for the future; but history, which is one long series of fresh starts, should inspire us with confidence. We must remember that all collective efforts, whether economic, social or intellectual, have met with hostility on grounds of principle. In many countries this was the case with trade unions, professional associations, commercial corporations and private associations, and even with non-profit-making associations, which have done so much to change the face of modern society. Their history is reassuring, and points to a probable similar success of international agreements between groups of similar industries.

An attempt was at first made to prohibit the formation of such unions, through fear of abuses, and when, later, they were allowed, their constitution was dependent on the arbitrary will of the executive power; they were forced to comply

with certain narrow conditions, under pain of dissolution — conditions that were more harmful to third parties and the public (whom they were supposed to protect) than to the associations themselves. Gradually, but only gradually, experience showed the uselessness and harmfulness of all these precautions. Finally, these associations were recognised under ordinary law, on a basis of liberty, with its concomitant correctives of publicity and responsibility. Then at last they could extend their activities and appear in their true guise as factors in social progress, so that now, if any attack were made on them, those very persons who once viewed them askance would come forward to defend them.

The same thing is bound to occur in the case of international agreements between groups of similar industries. Public mistrust has already been succeeded by a very legitimate anxiety for objective study. There is no longer any question of dreams or ideology, since material facts are to hand, in the work of experienced business men who follow the line of least resistance.

If, in spite of hostility, such agreements are already actually in operation, they are bound to extend their scope as soon as conditions alter and mistrust yields to a more favourable atmosphere.

Progress will undoubtedly be slow, as is the case with all new ideas which have to conquer public opinion, but that is no reason why we should abandon the brilliant lead given us by our distinguished Rapporteurs, for every great reform is the fruit of long patience.

TELEGRAM FROM THE PRESIDENT OF THE PAN-AMERICAN COMMERCIAL CONFERENCE.

The President :

Translation : I beg to inform you that I have just received the following telegram from Mr. Lewis Pierson, President of the Pan-American Commercial Conference, now sitting in Washington :

"The Pan-American Commercial Conference, recognising the economic solidarity of all nations, presents to the Economic Conference at Geneva its warmest wishes and expresses the hope that its work will contribute to the reconstruction of Europe and the amelioration of the living conditions of all nations."

I will convey the thanks of the International Economic Conference to the President of the Pan-American Commercial Conference.

FIFTH MEETING

Held on Friday, May 6th, 1927, at 10 a.m.

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APPOINTMENT OF THREE COMMITTEES.

President : M. Georges THEUNIS.

GENERAL DISCUSSION (*continuation*).

The President :

Translation : I call upon M. da Cunha Leal (Portugal) to address the Conference.

M. da Cunha Leal (Portugal) :

Translation : Mr. President — In paying my respects to you I should like to assure all our esteemed colleagues of my sincere desire for the success of our work.

The aim of the Conference is to consider methods of bringing the various nations closer together in the economic sphere, and, this being so, we are assailed by a disquieting thought that all our efforts may be in vain. For the only practical result which the League of Nations, though born of a noble ideal, has yet achieved has been to arouse all the forces of political and economic nationalism which were slumbering deep in the soul of each State Member.

It can hardly be called a successful achievement — after having striven for an internationalism which, it was hoped, would bring about political equilibrium in Europe and throughout the world — to find economic barriers growing ever higher and more menacing along every frontier, and a policy of splendid isolation being firmly established within the countries themselves. In our search for peace we find that, despite ourselves, we are drifting towards war. Prophets tell us that they discern around us every portent of impending disaster. We may well ask of Europe and of the world : *Quo vadis ?*

These dark clouds will have to be dispersed. But, apart from the direct action of the Governments, can this Conference discover any means of international economic co-operation which will gradually force statesmen to change their tactics ? Despite appearances, we are fain to believe this possible.

We are living in troublous times. Though not unmindful of present menaces, let us look steadfastly ahead towards a brighter and happier future. Those threatened with an evil fate always cling to the hope of some sudden reversal of fortune ; but we must go forward slowly and surely.

Let us have faith in the future. Let us not fall into the error of assuming that anything which is not obviously and immediately useful is therefore useless ; and let us go on with our work accordingly.

“Go slowly” — that must be our watchword if we are to avoid all the hidden rocks that may wreck the Conference. At the same time, it seems unfortunate that international conferences should follow the quite unjustifiable system of separating financial problems from economic ones, as if the two questions were not intimately bound up together. The conclusions reached under these circumstances are always vitiated by that fundamental error.

But that is not all. These discussions are bringing to light a whole host of conflicting interests. In order that they may arrive without a hitch at a conclusion of some kind or other, international conferences carefully avoid anything that might prove a bone of contention. As a result, all they succeed in doing is to enunciate certain principles, so general and so vague that the descent from the dreamland of these conferences to the workaday world of a practical agreement is long and strewn with obstacles.

It is always useful, I know, to lay down general principles to guide international action. But we must also remember that economic disorder, added to the political dissensions which already divide the nations, may one day lead to a new disaster — a disaster which can perhaps be avoided if we face facts. Do not go too fast — that is essential. Go slowly, yet not too slowly — that is also a sound piece of advice.

We have to contend with a material fact : the revival of the protectionist movement in all countries. Every great political and economic unit throughout the world is instinctively seeking the same unattainable ideal : to become self-sufficing. National groups, with their colonies and dominions, want to close their frontiers and announce that they are independent of other nations. “Each by himself, each for himself” — after all our dreams of intellectual and material co-operation, that is the slogan proposed for the world.

But is even this aspiration a practical one ? Is it easy of attainment ? No. For some countries isolation would mean speedy death ; for others the agony would be long-drawn-out. Absolute isolation is impossible nowadays, because all countries are interdependent. There is no nation the fate of which can be a matter of indifference to the others. The economic collapse of one member of the community of civilised peoples would mean the formation of a centre of baneful economic disease. It is therefore the duty of the stronger peoples to come to the assistance of economically distressed countries and help them out of their temporary difficulties.

The opinion is now held in some quarters that a better international economic understanding can be brought about by agreement between producers in the various countries. M. Eugène Grossmann, Professor of Political Economy at Zurich University, has in his memorandum defined the general lines of such an agreement as follows :

“In view of the difficulty experienced by Governments — compelled as they are to consider a variety of interests not only economic but political — in making the least improvement in international economic relations, it is quite

natural that the idea should have arisen that economic circles would do better to rely on themselves and to try to arrive at an understanding in order to check unlimited competition, and that they should only appeal to the State for assistance when such a step is absolutely necessary."

This idea of effecting a division of labour among European producers without the official interference of Governments, which would remain in the background, seems to us likely to be a further cause of economic unrest, superimposed on all the other difficulties which already confront us.

Suppose, for instance, that a cartel were formed by the manufacturers of a certain product, and that, for lack of an agreement between the producers of all the great European Powers, one or two of these Powers remained outside the cartel. We should then have not economic peace but economic war. The system of political alliances would be influenced by these facts, and economic warfare might well be the prelude to more serious events.

On the other hand, if all the industrialists of the first-class Powers succeed in reaching an agreement, the result might be that the small nations would be crushed and prices would then soar. That would be a somewhat paradoxical end to victorious war waged in defence of the immortal principles of "Right" and "Justice". Unrest would increase, because the collapse of a part of Europe could not contribute to the welfare of the European middle-class community.

We therefore feel justified in advocating the following proposal: international economic *rapprochement* by agreement between producers can only help to restore order in European production if it is carried into effect as the outcome of a general economic agreement between States.

This agreement might have the effect of eliminating some of the dangers to which we have referred, provided the interests of producers and States were as far as possible subordinated to the general interest.

President Wilson, in the third of his Fourteen Points, laid down the following doctrine:

"The removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all nations consenting to the peace and associating themselves for its maintenance."

Some people think that, according to this idea, the most natural method of economic *rapprochement* among nations would be to arrange a Customs union among them. I need not mention all the objections to this proposal: I will merely point out that some countries, which industrially are very strong, live alongside other nations which industrially are weak, and a Customs union between them would, in practice, mean a repetition of the old story of the iron pot and the earthen jar. The latter would be broken by the former; but what the old fable omits to tell us is that ultimately the iron pot was the victim of its own triumph.

These factors were undoubtedly taken into consideration in the framing of Article 23 of the Covenant of the League of Nations, which very wisely provides that:

"Members of the League . . . (e) will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League. In this connection, the special

necessities of the regions devastated during the war of 1914-18 shall be borne in mind."

The League of Nations has been more successful in dealing with international transit than with the revival of international trade. Nevertheless, we must take this fundamental problem in hand with the firm intention of solving it. I think that the conclusion to be drawn from all that has been said is as follows:

Every country is directly or indirectly affected by economic unrest in other countries. In the settlement of the problem of the world's economic equilibrium regard must be paid to the fact that some nations are economically strong and others economically weak. The position from the standpoint of industrial protection when all these countries have to be included in a general economic agreement is such that absolute equality is impossible, and their position must be based on equity.

The study of this problem of an international economic *rapprochement* cannot be approached with any misreading or misconception of the facts. We cannot hope to find any lightning solution which will effect a radical change in the whole situation.

Co-operation can only be achieved step by step, by gradually tightening up the bonds which link the nations together. A beginning might be made on general lines. Details could be worked out later, under the auspices of the League's Economic Committee, which would be enlarged and given increased powers.

In my opinion this work of international economic co-operation could be effected in three stages.

In the first stage, international uniformity would be secured in Customs nomenclature and classification and in the system of Customs tariffs, but the adhering nations would be left free to fix their own tariff rates.

In the second stage, rules would be drawn up for the fixing of Customs rates, and protection would be graded according to the industrial resources of the different countries.

In the third stage, rules would also be drawn up for the application of tariffs to imports; and foodstuffs, fuel and materials on which the industrial and economic life of all countries depend would be precluded from being subjected, by the countries which own them, to monopolies, export duties or differential prices.

In this third and final phase it would become easier to establish an economic equilibrium in the different countries. The peace of the world would no longer be endangered by private enterprise among producers, who would agree among themselves to regulate production and prices in certain countries, without direct State intervention.

This would be the crowning work of cartels and even of international trusts, which would then have become instruments of peace, and would not, as they now do, constitute a menace to peace, upon which the whole world is building its hopes while automatically drifting towards war.

While such an economic agreement is slowly taking shape, the banks of issue of the various countries should be brought to take common action with a view to aiding countries (provided they fulfilled certain conditions) to maintain the value of their fiduciary currency during the period of their economic restoration. The policy of issuing international loans for the exclusive purpose of assisting such reconstruction should also be followed.

That is the policy I recommend. But I am not so simple as to believe that we can appeal on its behalf to the feelings of friendship which should

reign throughout the world after the terrible catastrophe of 1914-18. I am well aware that a wave of frenzied egoism is spreading throughout the world and is slowly overwhelming it.

I appeal to that egoism itself. I appeal to the almost animal instinct of self-preservation displayed by the bourgeoisie, who may still, if they care, assist the march of civilisation. The historic social role of the bourgeoisie is not yet at an end; but if the bourgeoisie of the different countries refuse to work together they will compass their own destruction.

The policy of European leaders, great and small, will lead either to greater international solidarity or to disaster.

Already some nations are experiencing domestic unrest in consequence of the weakening of their economic position brought about mainly by the war. If we leave them to perish, the more powerful countries will ultimately perish in their turn. And so the former may perhaps justifiably repeat the historic words which Danton spoke on his way to the guillotine when he passed before the house where Robespierre lived: "Robespierre, je t'attends". And, as you know, Robespierre's turn soon came.

Mr. President, instead of submitting my conclusions to the Conference in the form of a definite proposal, I would rather leave them in the form of suggestions only.

The President :

Translation : I call upon Sir Norman Hill (British Empire) to address the Conference.

Sir Norman Hill (British Empire) :

Mr. President, ladies and gentlemen — As bearing directly on the problems before this Conference, I would ask to be allowed to review very briefly the work that has been done since the war to make national and international transport service sufficient and effective. In this connection I would venture to speak both as a man who has devoted a great part of his life to the study of such transport problems and also as the Chairman of the Ports Committee of the League's Advisory and Technical Committee for Communications and Transit.

The transport services of the world foresaw that there would be urgent need for the distribution of commodities of all kinds to make good the delays, the loss and the waste of the war, and accordingly the transport interests not only replaced as rapidly as possible their war losses but added greatly to their carrying power.

The shipowners increased the number, size and carrying power of their ships. The railways extended and developed their services. The ports added to their facilities for the loading, the discharging and the storage of cargoes. Canal systems have been extended, and the carrying power of the roads, with the development of heavy motor traffic, has been enormously increased.

Some of you who are more actively engaged than I in industry and commerce may complain that the cost of transport has advanced, but I think that you will all agree that it has not advanced in proportion to the increase in the production cost and selling price of commodities generally.

In providing this great increase in carrying power, and providing it at the earliest possible moment, the transport interests failed to take sufficiently into account the paralysing effect of the war on national and international credit, or to make sufficient allowance for its long continuance.

Working as they do in the face of direct competition of the ships under all flags, in all ports,

the shipowners knew that they would have to make the best of what the open freight market could offer, and that of necessity freight rates must be such as could be paid by impoverished buyers. But again they failed to realise how long it would take those engaged in the production of cargoes — the industrial and agricultural interests — to bring their selling prices also within the means of such buyers, remembering that the price that they could obtain was the only fund out of which the cost of production, including wages, could be met.

But when the shipowners and the other transport services did realise the gravity of the position, they acted, and acted quickly.

They pressed for the immediate carrying into effect of Article 23 of the Covenant, which pledges the Members to the League "to make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League"

As the result of this pressure, at Barcelona in 1921, the League's Committee for Communications and Transit was established, and a Convention was adopted to secure freedom and equality for all ships under all flags, and for their cargoes, on the international inland waterways of the world, notably the Danube and the Elbe.

Here at Geneva, in 1923, Conventions were adopted for the establishment of the free flow of international traffic over the railways, and to secure, in international trade, freedom for all ships, under all flags, and for their cargoes, in the maritime ports of the world.

At Brussels, between 1923 and 1926, a series of Conventions were adopted regulating and unifying the obligations and rights of the shipowners in the international carrying trade of the world.

Those are notable Conventions, prepared at the suggestion, and with the assistance, of men directly engaged in the work of international transport by land and sea. If those Conventions were ratified and loyally carried into effect by all the nations, the way for international trade would be as clear as the transport services can make it.

I think, therefore, that the transport services have already made no small contribution towards the solution of the problems that are now before us. But what the transport services cannot do is to produce the commodities that are to be carried, nor can it create the trade which alone will enable those commodities to be exchanged against other commodities. That is the task of industry, agriculture and commerce.

Commerce has spoken with no uncertain voice through the International Chamber of Commerce. The position of industry and agriculture is more difficult. It is clear that if a nation is desirous of increasing its participation in international trade it must facilitate the acceptance of commodities in exchange for those that it wishes to sell. On the other hand, there are obvious advantages in retaining the home market by the exclusion of foreign products, but these advantages must have their reactions on sales in foreign markets. It may not be easy to strike the balance, but a nation's decision on the point must affect fundamentally the volume of its external trade.

If the transport services had had the drafting of Article 23 of the Covenant, I think that, instead of providing for freedom of transit and equitable treatment for the commerce of all nations Members of the League, they would have pledged the nations to make provision to secure freedom for the commerce of all Members of the League and equitable treatment in its transit. After all, I suppose that you do give equitable treatment if you ruin the foreign trade of all your neighbours and then ruin yourself, and so long as that form

of treatment is made the basis of national industry and production it must be impossible to develop international trade, and it will be idle to go on spending time in working for the improvement in facilities for its transport.

The transport services are here to serve the producers and consumers in the world. They realise, perhaps more clearly than any other industry, the extent to which trade barriers created by Governments check and impede commerce, and they are ready and willing to give all the help they can to the work that is before the Conference. If industry and agriculture will only provide the goods, we, the transport services, will deliver them.

The President :

Translation : M. Brieba (Chile) will address the Conference.

M. Brieba (Chile) :

Translation : Mr. President, ladies and gentlemen — We all know the tragic situation of Europe in a world that has been shattered. The fall of the Roman Empire, terrible though it was, would be as nothing compared with the ruin of our own great civilisation. But ruin will certainly come if we fail to find a remedy for the social injustices which are sapping the strength of the nations and leaving them an easy prey to the elements of disorder.

Most people are agreed that social injustices exist, and extremists are seeking by means of propaganda to exploit this circumstance and prove that their own doctrines are of universal application, oblivious of the fact that, although there must be agreement as to the cause of the social malady, no such agreement exists as to the drastic remedies that are proposed.

Social injustices could, I think, be removed by opening up fresh sources of production and developing those which already exist. The cost of living would thereby be so far reduced that every man would be able not merely to earn a humble living and provide a bare subsistence for his family but to secure his share of happiness and of the good things of life, to feel the joy of living to which all have a right, just as all are entitled to a place in the sun, though often they do not get it.

That adorable creature, woman, cannot live as she should without the unwelcome condition of dependence on man.

These are social ills which must be cured if we are to renew our strength, restore order and make progress sufficient to enable us to save civilisation.

As you all know, Chile, that far-off country of mine, is the only country in the world possessing natural deposits of nitrate of soda, which brings fertility to lands that are sterile, increases the harvests of those that are fruitful, and by accelerating the growth of fruit prevents diseases of plants.

Money plays the same part in the life of nations as sodium nitrate in the soil. Like the Chilean fertiliser, money makes unproductive countries fruitful, increases the yield of productive countries and eradicates social diseases. Money can build the modern wall to protect civilisation against barbarism.

We must find a way to make money more readily accessible to the nations which need it for their development.

Money is found everywhere and earns small interest ; but those who have amassed it have made it dear and draw profit from it uncontrolled. The amount which the Governments are directly able to collect is trifling compared with that which

bankers amass and then offer at a much higher rate to the countries which need it.

We must establish an international credit organisation commanding the greatest possible confidence. It would accumulate a large number of small capital sums and would invest them, free from the intervention of speculators or other middlemen, in countries which could utilise this capital to increase production and thereby reduce the cost of living. The important part which such an organisation would play in the maintenance of peace is manifest ; money would know no country.

I venture to submit this simple and by no means new idea to my colleagues, and I take the opportunity afforded by this world platform to offer it for the consideration of statesmen also.

The President :

Translation : Before calling on the representative of the United States of America to speak, I should like to express, on behalf of the International Economic Conference, the profound sympathy which all here feel for the victims of the Mississippi floods.

The grievous loss of life, the widespread devastation which has claimed so many victims, distress us keenly — the more so because we are conscious of that international sentiment of sympathy and solidarity which I reaffirmed at the opening of this Conference.

Mr. H. M. Robinson (United States of America) :

Mr. President, ladies and gentlemen — On behalf of the United States delegation, I thank you for your expression of sympathy with the victims of the Mississippi floods.

The delegation of the United States of America joins with the others in its great appreciation of the initiative of the League of Nations in calling this Conference. It values highly the underlying purpose of the meeting and the broad and comprehensive preparation carried on through the medium of the Preparatory Committee. The delegation believes that the American people also are very much interested in the work of the Conference and are hopeful that its efforts may be of benefit to the world in its economic relations. The members of the delegation feel that they are warranted in participating in the discussions of the Conference, not because of profound knowledge of the difficulties obtaining in Europe nor because they could be said to possess an exceptional experience in world affairs but rather because of good will and spirit and an intention to discuss the questions and problems that may arise as objectively as may be possible in a work-a-day world.

The delegation has studied with very deep interest the items of the agenda, and it feels that it would be acting in a better spirit and that it would be more fitting if it refrained from discussing the three items in Part I in any specific and definite way. We, in our country, have been in a somewhat detached position, and at this moment we hesitate to express views in respect of the conditions in other countries. Whatever may be the nature and degree of the disturbance of equilibrium in commerce and in industry, we feel that, on account of our lack of close and critical knowledge, we should refrain at this time from discussing the subject except as it may be incidental to the second part of the agenda.

As we view it, the second part of the agenda covers the principal economic tendencies that are capable of affecting the peace of the world. While our knowledge of the difficulties in European countries cannot equal that of many delegates to the Conference, we incline to the belief that trade

restrictions and discriminations as between the countries in all probability constitute the greatest present difficulty in the flow of international commerce and the restoration of sound business conditions.

We have the feeling that if we are to discuss "rationalisation" it would be more effective and more acceptable, and possibly more helpful, if the statement could be confined in the main to a rough outline of the industrial and commercial philosophies now obtaining in our country, with a brief *exposé* of what we believe have been the contributing reasons for the establishment of the present philosophies.

We feel that the discussion of "rationalisation" might easily include not only "stabilisation, standardisation and simplification" in industry and commerce but also the correction of economic waste and irrational operations in industry and commerce resulting from Governmental action.

Under commerce we include the division and distribution of the products of capital and labour derived from natural resources and the services attendant thereon. Capital, labour and natural resources vary from country to country. Freedom of trade, in the realm of ideas, consists in *laissez faire* in respect of the application of capital and labour to natural resources and the subsequent distribution of the goods and services, and implies freedom of movement of services and things. The application of these principles differs in relative extent in different countries at different times. It is, of course, known and accepted that no country to-day gives full application to all of these freedoms, and it is probably historically true that no country ever has. Because of the different economic, social and political conditions in the various countries, it has not been practical nor desirable to give effect to all these abstract principles.

That the improvements in modern practice, in industry and commerce can be more than offset by an irregular and spasmodic dislocation of tariffs and multiplicity of restrictions is probably too obvious to call for discussion. It would appear that "rationalisation" might thus easily include all the subjects that are set down in the agenda of the Conference, which has been so carefully and thoughtfully prepared and for which such unusual documentation has been collected. "Rationalisation" in this larger sense covers most of the factors that continue to affect the general world economic position.

We incline to the belief that, in respect of tariffs, the lack of stabilisation, continuing modifications, abrupt changes, and lack of definiteness in classification and terminology are more burdensome to commerce than the actual duties themselves, even though the level may be high. With long-term stabilisation the producer and distributor know definitely what conditions must be met. Our experience indicates that equality of treatment as a part of such stabilisation will better define the position of the producer and the trader and tend to simplify commerce and to remove international frictions. We venture the opinion that there are many factors in tariff technique which are susceptible of material improvement through simplification of practice and uniformity of procedure, and that these are all worthy of serious consideration by the Conference.

Our own country, with its great size, nearly that of Europe, as is well known, has quantities of raw materials and natural resources. The movement of commerce is entirely free within its boundaries. For the size of the country and its position as regards raw materials and natural resources we may be said to have a relatively small population. Our development in the last fifty years in trans-

portation and in industry has been rapid. We are considered to be relatively prosperous. It might be well for you to know that in certain lines of production the term "prosperous" in its accepted sense should not be applied. Several major branches of agriculture and even some of our manufacturing and mining industries for a considerable time have not been on a prosperous basis. Yet, generally speaking, we should accept the statement that our country is prosperous. The purchasing power of the individual citizen is unusually large, and, in our opinion, this is the principal factor in our prosperity and has also contributed largely to the well-being of Europe and the world generally through purchases abroad unusual in amount and character.

The prosperous condition of the individual citizen has also resulted in increased savings, which, in turn, have made possible the extension of credit outside our boundaries and the making of foreign investments, and has amplified our general expenditure abroad.

It might be well to suggest the possible reasons that have contributed to this increase in the purchasing power of the individual citizen. There are many factors that enter into it. During the last half-century, the development in transportation and the application of mechanism in industrial production have resulted in an increase of productive power which has, in turn, increased the consuming power of our people and improved the position of the workers in the matter of hours, general working conditions, wages and, consequently, standards of living and education.

Rather early in these developments one of the phenomena which appeared and which probably was one of the first stages of stabilisation and simplification was the integration in transportation and industry under private control, the so-called "trusts", which, like most new and powerful organisations, in the first flush of their strength, abused their power and privileged position in exploiting consumers generally and employing many unfair tactics.

This improper use of power and abuse of privilege were dealt with in the first instance by legislative control — in the case of the railroads, by the establishment of the Interstate Commerce Commission for the regulation of certain railroad operations, then in the several States by the creation of public-service commissions for the regulation of other public utilities. This was followed by the Sherman Anti-Trust Act, directed at the abuses of the industrial combinations. This law forbade the acquisition under one control and management of too large a percentage of any given utility or commodity.

More important than legislation itself was the education of the public in respect of its rights and the simultaneous education of the managers of the integrated organisations in equitable relations with the public. In addition to this, these legislative acts and the resultant education have maintained in industry, in particular, an actual competitive situation.

We recognise that it has been widely believed that, through various indirect devices, competition has been reduced; but those of us who are closely in touch with the industrial operations of magnitude know with definiteness that competition is very keen, and this has been one of the factors that has helped to continue the downward curve in the cost of production and of price level in terms of pre-war gold.

This reduction in price to the consumer has been brought about by improvement in management, by elimination of waste and by economies generally, but the principal factors have been the ever-

increasing substitution of machinery for hand labour and the free interchange of information as to methods and practice.

At first, the workers either openly or secretly opposed the introduction of machinery, fearing the lessening of opportunities for work. By degrees the attitude of the employer and employee has undergone substantial modification.

Instead of meeting competitive lower prices by wage reduction, of late, managements, as a rule, have endeavoured to maintain and even improve the wage level, and, through improvement in management, efficiency in operation, employment of machinery or otherwise, have sought other means for the necessary lowering of costs. On their part, the workers have come to recognise that they receive, both directly and indirectly, part of the saving made through improvement in management, effective operation and the use of mechanical devices, and have practically not only ended their resistance to the introduction of new methods and machinery but, in many cases, indeed welcome the change and are studying the question with the idea of suggesting further improvement. Higher wages and lower costs of production are the accomplishments of a relationship which has gradually grown up between employer and employee, in which a better understanding, as well as a greater degree of confidence, is being shown on each side.

The improved methods of production with the accompanying decrease in costs and increase in wages and consumption which I have described was, of course, largely due to the fact that over our vast territory there have been no tariffs, discriminations or other barriers to impede the free movement of trade and commerce.

It might be proper for us to point out that it is our belief that the productive efficiency of the individual worker in the United States, which is continuing to advance, has been largely the outgrowth of the practices outlined, but that, in addition to this, there has been carried on consistently through a period of years a campaign to reduce the number of types of a given product, to eliminate all kinds of waste; and these, in turn, have been of great help in cost reduction. This has, in a large degree, been made possible by what might be termed "publicity" on the part of the managements through the medium of their Chambers of Commerce and trade associations and other similar organisations.

In most industrial groups information is exchanged with the greatest freedom. Trade secrets are, in effect, substantially non-existent. Trade journals publish carefully prepared and interpreted statistics, and, for the most part, new developments in machinery, methods of operation and distribution become general knowledge and common property in a comparatively short time. To this end our governmental departments have built up organisations for the purpose of assisting in the general distribution of correct information in regard to commerce, industry and agriculture. In industry and commerce the Department of Commerce has for years been doing most effective work. This Department has not the power to compel the adoption of any given policy. It undertakes the work by inviting the important operators in a given line to conferences in which their problems are discussed in large and in detail and in which, through the discussion, best practices are disclosed and, as a rule, adopted by those who participate.

While such action is purely voluntary it is probably stimulated by the desire on the part of our commercial and industrial people to avoid legislative interference by the Government. For these groups, and in fact the great majority of the people of our country, are opposed to the

Government's direct interference or participation in private business but have accepted the governmental regulation in public utilities and the necessary minimum control in industry and commerce for the protection of the health and welfare of the people.

While it is true that the Interstate Commerce Law and the laws governing the regulation by the State public-service commissions affect the operations of public utilities, and while it is recognised that the Sherman Anti-Trust Law endeavours to limit the development of monopolies to which the American people, by tradition, have been opposed, the more important fact is that the owners and managers of the larger enterprises have themselves come to believe that the maintenance of a healthy competitive situation has its beneficial results in the emulation to reduce costs.

A belief, which seems warranted by our present experience, has grown up among us that the development of better organisation and management has been stimulated by the constant movement upward from the ranks of labour to the positions of control and direction. Due to the rapid expansion of our economic life, such promotion has rapidly rewarded proved merit. Management secures not only new men but also new ideas from the workers, and is constantly refreshed and rejuvenated.

An incident of the maintenance of the high wage and improvement in education and standards is the creation of new demands and new needs in the home and family of the worker, and the increased wage is used to satisfy such needs and demands, in turn creating the consumption of additional goods and services.

We hope and believe that the present happy relation between employer and employee can be maintained and improved in order that the benefits of more effective production may be shared by the workers and the general public. The dominant feeling among owners and managers is that, quite aside from humanitarian motives, an enlightened understanding of their own self interests urges them to continued development in this direction:

Our discussions of the growth of our integrated industry and commerce leads us to think of the questions involved in that part of the agenda which refers to international industrial organisations.

I shall not attempt now to discuss in detail the economic problems of Europe which it has been proposed to meet by "cartelisation". When in the course of our discussions we come to this matter, our position will be that there may be benefits to be hoped for from such international grouping of industry, but that this, of course, will depend on the wisdom and good purpose of those in control. "Cartelisation" may be a method by which European trade barriers could be reduced, or industry held in a more satisfactory position, until political conditions permit a more direct effort to remove or reduce such barriers; on the other hand, if not properly directed, "cartelisation" might lead in the false direction at first taken by some American trusts towards monopoly and exploitation. The widespread and deep aversion of our people to Governmental participation in business would, in all probability, influence our attitude toward any organisation that manifested such participation and control of industry or trade. This is because our people appear to believe that Government participation in business, especially in international business, involves hazards which we, as a country, have hoped to avoid.

It had not been my intention specifically to discuss difficulties involved in restrictions on production under Governmental supervision with the attending effects on price levels, but one of our

friends — a distinguished member of the British delegation — has made some comments in respect of rubber restrictions which have rather puzzled me.

I cannot clearly see how restriction in output could assure continuity of supply at a high level and prove of ultimate benefit to the world. I am also wondering whether the fact that over 75 per cent of the commodity in question is consumed in a non-producing country, while the country controlling the restrictions consumes but 7 per cent of the total supply, might be looked upon as a discrimination. This, however, is a matter which is solving itself and, as we understand it, is meeting with considerable opposition within the Empire itself.

I have endeavoured to sketch and outline certain manifestations in commerce and industry in the United States which have come about in a brief period of time in a new country and under conditions that we must accept as unusual. This has been done with no idea that the experience which we have gained under special circumstances is necessarily applicable under the different conditions of other countries but with the hope that possibly our experience might throw light on some of the problems submitted to the Conference.

My colleagues and I have looked forward with keen interest to participation in the work of this Conference. We know that we shall be benefited by the personal contacts we shall make, by the exchange of views and information. We shall be very glad if we may be able to contribute to the success of the Conference.

Our own experience has taught us to consider "prosperity" as a whole. No industry lives healthily in a period of general depression and instability. No nation can enjoy its full economic activity unless other nations are prosperous. The American people are profoundly interested in the peace and prosperity of Europe and the rest of the world.

The President :

Translation : I call upon M. Rydbeck (Sweden) to address the Conference.

M. Rydbeck (Sweden) :

Translation : Mr. President, ladies and gentlemen — I should like, on behalf of the Swedish members of the Conference, to direct your attention to a point which may perhaps seem at first sight a somewhat specialised one but which nevertheless plays so important a part in any efforts to reduce the barriers to international trade that I have no hesitation in mentioning it in this discussion on general principles.

This question, which forms the subject of a memorandum just submitted to the Conference, concerns the re-establishment, without restriction or reservation, of the most-favoured-nation clause as a fundamental basis for all commercial treaties.

Anyone who glances back over the years before the war will be struck by the extent to which the principle of most-favoured-nation treatment helped to make this period essentially one of freedom universally regulated by international treaties of commerce.

The relations between the different countries were determined in this sphere by a large number of commercial treaties which together formed a system embracing the whole world. This unity is specially remarkable in that there were then, as now, considerable differences between the Customs systems of the various countries. Certain States followed the principle of free trade, others a strongly protectionist policy ; various double tariff

systems alternated with single tariffs, and highly specialised tariffs with others of a very general nature. But all commercial treaties had one feature in common : they contained the most-favoured-nation clause, the principle of which was sufficiently strong to eliminate divergency and incompatibility, the result being that, in point of fact, it was only necessary in each country to take into account a single Customs tariff which was applied to all other countries and did not involve excessive duties.

There is every reason to believe that at the present time, too, a complete system of commercial treaties based on the most-favoured-nation principle would have the same happy effects on world trade. Equality of treatment for all countries, stability in Customs matters by means of long-term commercial treaties, and, lastly, the abolition of *droits de combat* imposed for the purposes of commercial competition, constitute the very basis for freedom of trade which it should be our endeavour to re-establish.

If, as is the case, therefore, every country has reason to endeavour to obtain most-favoured-nation treatment from other countries, and if, further, international trade as a whole benefits by the application of this principle, a stubborn resistance should be offered to opposing tendencies. There is obviously a tendency at the present day to evade the full consequences of according most-favoured-nation treatment to other States. This tendency no doubt existed before, but during the last few years it has assumed increasing proportions and is now being accentuated to a disquieting degree. It undoubtedly constitutes a more serious danger than the attempts to oppose the principle itself which have appeared in a number of countries and which were condemned to failure from the very outset. For while the formal recognition of the principle may lead to the conclusion of commercial treaties, the latter, if they aim at preventing its application, increase rather than diminish the impediments to international trade.

There are many recent examples of agreements of this kind. Thus, one country in its treaties promises another unconditional most-favoured-nation treatment, but afterwards grants a third State certain Customs concessions which it declares, by means of ingenious and subtle distinctions, do not come within the scope of the most-favoured-nation clause embodied in the treaties in question. As a result, the countries suffering from these specious measures, which would have been satisfied by a loyal application of the most-favoured-nation treatment, are compelled to plunge into the general struggle and to adopt *droits de combat*, the effect of which is to increase still further the difficulties with which trade is faced.

There is yet another case : two countries may conclude an agreement according Customs facilities for limited quotas or for goods imported at certain specified points, and may afterwards refuse these concessions to other countries already entitled to most-favoured-nation treatment.

It would be easy to multiply examples, and I do not think I am overstating the case when I say that a country which at the present time concludes a treaty embodying the most-favoured-nation principle cannot feel certain that it will thereby escape unfavourable discrimination. The actual principle is not perhaps exposed to serious danger : its necessity is too obvious to all concerned. But the application is often so illogical and unfair that this field of international law is apt to present the appearance of a chaotic sphere in which all methods are permissible and in which the fulfilment of the obligations assumed depends entirely on the arbitrary interpretation which the contracting

parties may think expedient to place on the stipulations of their agreements.

The Swedish members of the Conference desire to call the attention of their colleagues to the existence of this tendency, which, for the reasons just mentioned, makes it difficult to arrive at a universal and uniform system for regulating commercial relations between States by means of treaties.

We also wish to indicate a means of eliminating as far as possible the most obvious difficulties in this sphere, and therefore propose the conclusion of an international agreement concerning the interpretation and application of the most-favoured-nation clause in so far as this clause affects Customs treatment.

An agreement of this nature might help to determine what is to be understood by the right to most-favoured-nation treatment and hence prevent an unfair interpretation of the principle itself and an arbitrary or restricted application of the most-favoured-nation clause. We consider that this would mean greater uniformity and stability in regard to the policy now generally adopted in the matter of Customs treaties and would thus help to break down Customs barriers, which are often unduly high.

The Swedish members of the Conference hold the view that there can be no question of our framing a draft convention here and now. But we have brought out in our memorandum the essential points which would have to be regulated by such a convention, and I would ask you to allow me to make a few remarks on the subject.

There has never been any real unanimity about the proper method of interpreting a general most-favoured-nation clause. It is true that a distinction has long been made between two main forms of this principle — the conditional form and the unconditional form — but the boundary line between them is still vague and ill-defined, having been variously drawn by different experts in international law. As the unconditional form is, however, universally recognised at present, it is in the interests of all nations that its scope should be clearly defined. Such a definition may become a difficult matter when it is a question of taxation, the legal position of foreigners, and other subjects in which an advantage granted to one country often has no equivalent in relations with other countries. But if the question is limited to Customs duties, it will doubtless be possible to find a clear and concise definition on which all States can agree.

It would be premature at this stage to say what shape that definition should take. But a study of the Customs treaties at present in force and of their application shows the necessity of clearing up this question of interpretation. Cases might be quoted in which the unconditional most-favoured-nation clause is applied in such a way that, in the opinions of various countries, it constitutes a conditional clause, and other cases exist where a definite policy of Customs discrimination is applied, notwithstanding the existence of the most-favoured-nation clause. Countries which are the victims of such treatment at present have no means of redress other than to denounce the agreements in question or to institute reprisals. Either solution must simply result in increasing the difficulties of trade between the two countries.

The Swedish delegation would urge the inclusion in the proposed convention of an arbitral clause providing for the pacific settlement of disputes that may arise concerning the application of the particular clause in question. A model already exists in the arbitral clause contained in the International Convention relating to the

Simplification of Customs Formalities, concluded at Geneva in 1923.

In conclusion, it is my earnest hope that this Conference will arrive at practical results in regard to the question with which I have just been dealing. A general and loyal application of the most-favoured-nation clause is one of the most efficacious means of safeguarding the principles of liberty and equality in the sphere of commercial transactions, and it is my firm conviction that the proceedings of this Conference will serve to consolidate the principle which underlies that clause.

The President :

Translation : I call upon M. Barboza-Carneiro (Brazil) to address the Conference.

M. Barboza-Carneiro (Brazil) :

Translation : Mr. President, ladies and gentlemen — The difficulties which are exercising such a profound influence on the economic life of Europe necessarily affect non-European nations as well. These nations and the Continent of Europe form part of one and the same economic system ; they therefore have a common interest in re-establishing the equilibrium of this system whenever it is disturbed. This is what is now happening. Since our task, therefore, is to find a means of re-establishing equilibrium, it seems to me essential that, when we are examining the various proposals designed to supply a solution for European difficulties, this interdependence of Europe and the overseas countries should constantly be borne in mind. When we come to examine the important questions on the agenda of this Conference, we should be inspired by a keen sense of international solidarity, but it is only natural that we should not lose sight of the special interest of our respective countries.

It is with a desire to discharge this twofold duty that I am now addressing you. The higher interest which has brought us together requires us, in my opinion, to express our individual views in all honesty and frankness. I will be perfectly open. My earnest wish is that Europe should recover her prosperity. This is a matter of concern to my own country. Europe, as you know, is one of Brazil's best customers and supplies a large proportion of the commodities essential to the development of my country and the welfare of its population.

I myself and my fellow-countrymen who are also members of this Conference desire, therefore, to co-operate wholeheartedly with you in finding a satisfactory solution for the problems now before us.

It seems to me that we should not confine ourselves to formulas admitting of uniform and universal application. But I feel, too, that if European countries can to some extent remedy the ills from which they are suffering, the means adopted to this end should not be such as to mitigate the evil in one direction and aggravate it in another. I say aggravate it because, although economic difficulties are especially acute in Europe, they also exist in other parts of the world. My first conclusion, therefore, is this : the remedy which may be satisfactory for Europe should not be such as to aggravate or disturb the situation in non-European countries. My second conclusion is that we should not expect distant countries to adopt measures specially suited to Europe.

There has been a good deal of talk lately of agreements between European industrialists. Certain branches of industry which are prepared to enter into agreements with a view to extending their markets might perhaps be well advised to

bear in mind the importance of more extensive co-operation.

There are various problems which, in my view, affect us Brazilians and which do not at first sight appear to be of great importance to European countries. But when we come to consider the close interdependence between the various parts of the world economic system, we realise how measures connected with such problems may react on European countries. I will confine myself to three examples. Europe is suffering from a surplus of labour. It would therefore seem quite natural that in the case of a vast country like Brazil, where there are undoubtedly tremendous possibilities for productive activity, emigration should be of benefit to Brazil and Europe alike. Such, however, is not always the case. Migration is of no value unless the immigrants can adapt themselves to the conditions of life in their new country. This is an essential condition for any really sound migration movement.

Europe supplies enormous quantities of raw materials to overseas countries like mine. It might be well to find some means of removing certain anomalies connected with the cost price of these raw materials — anomalies the effects of which are by no means negligible. The case of coal is a typical example. This fuel, delivered in a big port like Rio de Janeiro, works out at approximately 13 per cent dearer than coal of the same origin in ports which are considerably farther away from the country of origin. This may seem at first sight a mere detail, but it reveals a situation which it should not be impossible to remedy.

Lastly, certain unfair methods of competition, and even fraudulent practices, such as false Customs declarations, result in very serious losses for countries like my own. Their elimination would be in the interests not only of the country directly affected but also, I am convinced, in those of countries where such methods are unfortunately employed. We should, I think, attempt to find some means of achieving this result.

I earnestly hope that we may succeed in the work of solidarity and international co-operation which has been entrusted to us. I look forward with confidence to the future. My distinguished fellow-countryman President Antonio Carlos de Andrada, who was a member of the Preparatory Committee, once said in speaking of the Conference that, even if its recommendations and conclusions were only an expression of its hopes, they would constitute a noble and generous effort towards a close *rapprochement* among the nations in the sphere of their mutual interests, where there is undoubtedly a great opening for conciliatory suggestions and solutions.

The President :

Translation : M. Arthur Fontaine (Chairman of the Governing Body of the International Labour Office) will address the Conference.

M. Arthur Fontaine (Chairman of the Governing Body of the International Labour Office) :

Translation : Ladies and gentlemen — The Council of the League of Nations appointed me, in my capacity as Chairman of the Governing Body of the International Labour Office, to be a member of this Conference. I find here, sent by their Governments, many colleagues whom I have already met at the International Labour Conferences, for the questions to be dealt with here concern the International Labour Organisation, labour legislation and social justice.

Part XIII of the Peace Treaties of 1919, which constitutes the Charter of the International Labour

Organisation, shows very clearly the connection between that Organisation and the Economic Conference which is now beginning :

The Preamble to Part XIII reads as follows :

“Whereas the League of Nations has for its object the establishment of universal peace, and such a peace can be established only if it is based upon social justice” ; and

“Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries”

Again, the resolution adopted by the Assembly of the League on September 24th, 1925, is couched in similar terms :

“Firmly resolved to seek all possible means of establishing peace throughout the world ;

“Convinced that economic peace will largely contribute to security among the nations”

Here we have the same preoccupation, the same object : peace, true peace, without the haunting fear of war, a secure and prosperous peace ; and there are two means of attaining it, two conditions for safeguarding it : economic peace and social justice.

Economic peace and social justice. Industrial competition depends on costs of production. Costs of production depend very largely on conditions of labour — hours of work, wages, social insurance and industrial hygiene. True, these conditions do not all continue indefinitely to increase the costs of production ; they lead to improvements in machinery and better use of material and time ; they improve the health, increase the strength and skill, and raise the standard of training of the workers and thus result in saving and other compensatory advantages. Still, the fact remains that in the course of ten or sometimes twenty years of adjustment costs of production increase ; it is those who enforce the severest labour conditions who benefit by international competition.

Customs duties, which there is a tendency to resort to in order to make up for costs of production, are often a very poor palliative. When their object is to support obsolete methods of production, the palliative at once becomes inimical to the general interests and soon loses its value in competition, though without losing its injurious character. But tariffs, even when moderate and legitimate, may carry with them as many disadvantages as advantages for the labour world. They may cause a rise in home prices, attended by a rise in nominal wages, which does not, however, always mean a rise in the standard of living ; they may lead to difficulties in the export of certain products, and these difficulties in turn may involve delicate negotiations affecting every article of trade. Hence any false move, any error, in matters of so complex a nature may produce industrial unemployment and poverty among the working classes.

These dangers are especially serious for the nations of Europe, for not one of them has a home market that can be compared with that of the United States of America. Not one of them is self-supporting ; their economic interdependence is far reaching and beyond question.

I am not arguing against Customs tariffs — far from it. I know the difficulty and complexity of the whole question of commercial treaties. But what I realise is that, in the event of error or abuse, that very complexity, and the difficulty of knowing exactly what to do, endanger both economic peace and social justice ; and balance and scientific

methods in the matter of Customs tariffs, economic peace and social justice together form a system which is essential for peace and for the welfare of the nations.

A man who was acclaimed as few other men have been, who was afterwards strongly criticised, and whose name will, I am sure, be revered by future generations because he had the great moral quality of pursuing the remoter and more permanent interests of nations, and the courage to proclaim his principles — I refer to President Wilson — advocated in the third of his Fourteen Points :

The removal so far as possible of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance.

This does not mean — I realise and appreciate the importance of the words “so far as possible”; and the words used are “economic barriers” and not “Customs tariffs” — this does not mean the removal of all tariffs. It is only a general direction for our guidance. But it does clearly mean — and this seems to me to be of great importance — the most-favoured-nation clause, loyally conceived and loyally executed. We find these guiding principles and this clause in the exceedingly able and well-arranged memorandum submitted by a group of workers and workers’ leaders who are members of this Conference.

If I venture to mention all these facts, it is not with the object of giving you my opinion, which is of no special importance at the moment, but in order to show that the workers’ leaders, regarding the matter from the standpoint of social justice and the workers’ interests, have reached the same point as a large number of employers and statesmen who had started out direct on the high road to economic peace.

I might also point to employers and workers — there are some slight differences, because each group has to be careful during this transition period and to safeguard special interests — who are both considering international industrial agreements controlled in the public interest, who are both seeking to find a new and scientific way of organising industry and commerce, and who both realise the importance of two objectives: increased output under satisfactory and healthy conditions, and the enjoyment of leisure as the result of intensive production during a 48-hour week. And this accounts again for the wholehearted participation of the International Labour Office in the practical work and the ideals of the International Economic Conference.

I must apologise for being one of those incorrigible persons who pursue the well-being of humanity, firmly convinced as I am that unless we continue to strive after this object, even though we never attain it, life would not be worth living.

We, see, however, all the difficulties with which this Conference is faced.

Customs unions, industrial cartels, free trade — what difficulties beset our path! What obstacles there are in Europe alone, at all events at present! May I remind you — since the International Labour Office has a Co-operation

Section and regards co-operation as an essential factor for improving the conditions of the workers — may I remind you that the International Co-operative Alliance has enquired into the question and propounded as a solution a cartel of consumers’ co-operative societies, more particularly for agricultural produce ?

What is to be said for this solution ? We have here many supporters of co-operative methods, and they will tell us. We must not neglect any suggestion designed to bring about “economic peace” and “the revival of general prosperity” as contemplated in the resolution of September 24th, 1925.

Ladies and gentlemen, I have concluded my brief statement, which I would ask you once again to regard not so much as an expression of my personal opinion but rather as an indication of the close ties which unite the International Labour Organisation and the International Economic Conference.

APPOINTMENT OF THREE COMMITTEES.

The President :

Translation : From the speeches which we have just heard I gather that the Conference is agreed that we should conclude to-morrow what I may call the general discussion and begin our Committee work on Monday.

Everyone appears, further, to approve the division of the Conference — a perfectly natural division — into three Committees, for agriculture, commerce, and industry respectively, as determined by the main divisions of the preparatory report and the programme of the Conference.

I propose this afternoon to distribute in the hall lists on which I would ask members of the Conference to enter their names, indicating at the same time the Committee in which they are most interested. I use the word “most” advisedly, for it is obvious that the majority of industrialists are much interested in commercial questions, as indeed they are in agricultural questions, and that there are commercial men who are interested in industry, and so on.

As you will realise, there is no hard-and-fast distinction between the three main subjects with which we are dealing.

We shall, of course, have to consider measures for maintaining proper liaison between the different Committees, so that members whose names appear on one list will not be entering into any formal or definitive undertaking which would prevent them from concerning themselves with the work of a Committee other than the one to which they first asked to be appointed.

In the meantime, however, I would ask you, in order that we may determine the composition of the Committees, to enter your names this afternoon on the lists to which I have just referred, subject to these reservations.

SIXTH MEETING

Held on Friday, May 6th, 1927, at 3 p.m.

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President : M. Georges THEUNIS.

ANNOUNCEMENT OF THE DEATH OF M.
POPOFF, MEMBER OF THE BULGARIAN
DELEGATION.

The President :

Translation : Ladies and gentlemen — It is with deep regret that I have to announce to members of the International Economic Conference the death, which occurred this morning at Geneva, of M. Cyrille Popoff, member of the Bulgarian delegation. M. Popoff was Director-General of the Statistical Service of the Kingdom of Bulgaria, President of the Higher Council of Bulgarian Co-operative Associations, President of the Supreme Labour Council and Honorary President of the Bulgarian Economic Association.

On behalf of this Conference, whose regret will I feel sure be unanimous, I desire to pay a tribute to the memory of our colleague of whose services we have thus been so tragically deprived.

I beg to offer the Bulgarian delegation our most sincere condolence and to assure them that we all share to the full their regret at the loss of our distinguished colleague.

GENERAL DISCUSSION (*continuation*).

The President :

Translation : I call upon M. de Michelis, President of the International Institute of Agriculture, to address the Conference.

M. de Michelis (President of the International Institute of Agriculture) :

Translation : You will, I trust, allow me, as President of the great international organisation instituted by the seventy-three States which have signed or acceded to its Constitutional Charter to safeguard the interests of agriculture and agriculturists throughout the world, to avail myself of the opportunity provided by this exceptional occasion and give you some idea of the trend of agricultural questions from the international point of view. My statement will be more or less a summary of the documentation, already distributed, which the International Institute of Agriculture has been happy to furnish as a means of assisting in the preparation of this Conference.

I desire to thank the Council for the honour it has done the Institute by inviting me, as its President, to be present at so important and representative a gathering.

The principles which governed the creation of the International Institute of Agriculture are identical with those which previous speakers — and in particular, our distinguished President, M. Theunis — have indicated as the proper basis for the work of this Conference : international solidarity in the pursuit of economic progress, in the development of technical means of production and in the elimination of the causes of crises and depression.

We have already mentioned several aspects of the present economic situation which explain the abnormal conditions in the economic field, more particularly in Europe : excessive monopolisation, over-production in certain branches, exchange fluctuation — that is, fluctuations in the value of the various currencies — destruction of capital, excessive taxation, less thrift (a consequence rather than a cause of economic instability). All these causes undeniably exist and produce a real effect, although their relative importance may differ. Hence the remedies suggested may also be very different.

From the point of view of the agricultural situation, which I would invite you to examine with particular attention, all these facts are of great importance. Mr. Runciman, in his forceful analysis of present ills, laid particular stress on the fact that long-term contracts were no longer feasible, and that it was consequently impossible to make plans covering a sufficiently long period. This is perfectly true. But remember too that agriculture can only work on a long-term basis. Not only is its normal period of production annual, but for a good yield crop rotation is essential, and this is organised on a three-, five- and seven-year basis. Agriculture thus suffers from continual and rapid economic changes more than any other form of human activity, since it is exposed to changes against which it has only very limited powers of reaction.

You will find conclusive proof of this in the documentation submitted by the International Institute of Agriculture on the subject, for example, of agricultural accountancy. To select one fact among many, I might point out that the net yield per cent of the capital invested varies greatly from year to year. You will see that in some years there are no profits, but losses. You will note, too, that the period of losses or low net yield is the same for all the countries regarding which we have data, namely, 1921-23. These are the figures : Denmark, 1.2 per cent deficit in 1921-22 ; Norway, 2.11 per cent deficit in 1921-22 ; Switzerland, 2.5 per cent deficit in 1922, etc. These results are definitely due to the general economic situation, and they prove how seriously the latter reacts on agriculture.

Agriculture suffers, further, from the instability of international trade and from the incomplete restoration of economic relations. This is not a point that affects agriculture alone, but it is nevertheless one that affects it very considerably, and in my opinion M. Hermes was well advised to deal with it in detail during the work of the Preparatory Committee.

For my part I would merely observe that in the case of a number of agricultural products we have to consider not only open protectionism but also certain prohibitions disguised as measures to protect the health of the consumer or as a means of defence against diseases of animals and plants. It is true that measures of defence are essential; but at the same time, as M. Colijn, speaking more generally, pointed out, they must not be allowed to become a pretext for excessive protectionism, which is often contrary to the terms of the actual treaties.

I think that the Conference would be well advised to seek, if it could, some means of encouraging the efforts which the International Institute of Agriculture is making to obtain the effective co-operation of the States against plant diseases and pests, and also to bring about the unification of police measures and trade regulations in the matter of analyses, supervision and the purity of products.

Another general phenomenon which has grave repercussions on agriculture is the lack of ready capital and the high cost of money. This raises the problem of international agricultural credit. Agriculture requires enormous capital in order to carry out improvements, on account of the extent of its activities, and this capital it cannot find. This difficult situation is worldwide, but is particularly acute in Europe, especially in countries in which agrarian reform has been intensively applied. As the result, therefore, of a proposal made by the Inter-Parliamentary Conference on Commerce, the International Institute of Agriculture has undertaken to convene a special Conference — the preparations for which are already well advanced — to study the best means of arranging for the transfer of capital for agriculture from countries possessing such capital to countries which need it.

All the facts I have mentioned so far are common to the various forms of economic activity, though agriculture, as I have pointed out, is particularly sensitive to them. But there are facts which have a very different influence on agriculture as compared with industry and trade.

Agriculture as a whole — at least as regards the most important products — has maintained its pre-war output, and has even in some branches — such as coffee, tea, sugar and natural silk — considerably exceeded it. Further, consumption has not fallen, and there has even been a marked increase. True, this is partly due to the fact that the deficit in the European output has been supplied by the other continents — which shows that there is also a "European question" in the case of agriculture. But the general outlook is fairly good, as you will see on a careful examination of the statistical material to be found in the publication of the International Institute of Agriculture to which I have already referred. I trust that this information will give satisfaction to the General Council of the British Trades Union Congress, which asks in its memorandum that "the League should make world economic surveys from time to time on . . . the sources and distribution of essential foodstuffs and raw materials".

This information is given by the Institute every month in its *Statistical Bulletin*, and annually in its *Yearbook*.

I may add that a further contribution, and one of even greater importance, will be supplied by the world agricultural census to be held in 1930 in every country on the lines of the uniform questionnaire drawn up by the Institute and adopted by the different Governments.

When, however, we come to consider what the farmer has received for his produce, which he has maintained at a level sufficient to meet the demand, we obtain a different impression. If you look at the

volume *Agricultural Problems in their International Aspect* (pages 311 and following), you will see that, in the case of all the countries for which we have particulars (Germany, Denmark, Finland, Norway, Sweden, Great Britain, Italy, Union of Socialist Soviet Republics, Switzerland, Austria, Belgium, the Netherlands, Poland, Czechoslovakia, Canada and the United States of America), the conclusion is the same: the index number for industrial products is higher than the index number for the prices of agricultural produce. Everywhere the farmer receives less for his produce than before the war, and although this may not apply to certain products, as a general statement it is incontrovertible. It may give us some satisfaction to find a fact which is really universal, and no more considerable in Europe than, for example, in the United States, but I very much doubt whether the farmers share that satisfaction.

The universality of this fact, and the circumstance that it affects countries in the full tide of economic prosperity and countries that are still faced with serious difficulties, countries that are only slightly protectionist and others that are strongly protectionist, countries in which the very principles of economic life have completely changed and others in which economic life is based on the same principles as in the past — this fact, I say, cannot but be the result of the most profound and far-reaching causes underlying the present situation. When we come to examine this fact we may perhaps reach the very crux of the formidable problems with which this Conference has to deal.

I do not propose to undertake such an analysis, but I should like, in the short time at my disposal, to direct your attention to two points which, in my view, are essential to a proper understanding of the difference between the movement of agricultural and industrial prices. The first point is that if, as is suggested in some quarters, the salvation of industry were being sought in restriction of output, the prices of industrial products would still be rising as compared with those of agricultural produce. If the prices of agricultural produce have been lower, the reason is probably that there have not been enough industrial products to exchange for them on the pre-war scale. It is essential for agriculture that the industrial output should be greater, and consequently cheaper, and that the cost of industrial production should be reduced.

Here we have an instance of economic interdependence; for if industrial output were to diminish, and if the cost of industrial products were high — if, in short, conditions in industry were such as could only be explained during the war and the early post-war period — the prices of industrial products would rise still more, and farmers would ultimately learn the trick of producing as little as possible at the highest possible prices. That would be a calamity compared with which the present situation is an Eldorado of fortune and prosperity.

In this connection it may be worth pointing out that mobility of population, of which Mr. Runciman and M. Gliwic, in particular, have spoken, is absolutely necessary if agricultural production is to keep pace with consumption. There are, on the one hand, some countries in which agricultural unemployment is the only serious form of unemployment, and on the other, countries where labour for the most essential agricultural work is absolutely unobtainable. Here also we must seek to balance things, in order to make more effective use of the powers of production of the whole world.

This raises another problem of vital importance — the equitable distribution of labour with a

view to converting vacant and unexploited land into a source of general prosperity and well-being.

These problems have their counterpart in the suggestions concerning control of the prices and distribution of raw materials which several speakers — M. Shidachi, for example — advocated as a means of achieving equitable distribution. It is a hopeful sign that this highly important point, which has constantly been brought up during the last few years by the Italian delegations to the League and the International Labour Office, should again have received such wide and authoritative sanction.

The second essential point to which I wish to draw your attention is that all coalitions of producers, monopolies — people call them monopolies when they wish to disparage them and syndicates when they wish to extol them — have operated in the sphere of industry, whereas agriculture has merely been an onlooker. All the advantages to be derived from combinations of producers in different countries have been reserved for industry; agriculturists have only suffered, whether directly or indirectly, from them.

In this connection I think M. Cassel's analysis the day before yesterday went to the root of the problem. He showed the disparity in the price curves for raw materials and those for manufactured products, a disparity which has steadily increased in course of time owing to the extent to which these products are now worked up. He also showed the large part that monopolies play in producing this result. I venture to add that the action of political forces has in many countries seconded the action of syndicates and thus helped to weaken the relative position of agriculture.

The reasons for this phenomenon are obvious. The spirit of co-operation is as yet limited among farmers; the number of farms is too great; differences of conditions and interests, even in the same country, are very considerable. Hence the circumstances which M. von Siemens mentioned as being favourable to industrial *ententes* do not exist in agriculture, save in one or two quite exceptional cases, such as the rubber agreement.

The number of agricultural syndicates hitherto formed is very small, and they are concerned merely with joint purchases, and sometimes with joint sales. The latter case is particularly interesting, representing as it does the first effort to bring producers into contact with consumers and thus reduce excessive charges on products which are not justified by the costs incurred and the services actually rendered. It constitutes a solution, from the producers' point of view, of the fundamental problem of reducing the middleman's charges so as to bring them for the time being down to the pre-war level.

But however important these associations may be, they possess neither the character nor the influence of syndicates formed to regulate and, if necessary, to limit production, allocate markets, and so on. In certain countries, however, agriculturists are beginning to examine the distant possibility of organising themselves on these lines, and this tendency should not be ignored — by this Conference least of all. For there is, I think, one point on which the Conference is bound to give a definite decision: Is the economic system to be dominated by the progressive development of industrial agreements, or should a means be found of keeping their influence within specific limits and counterbalancing it?

In either case the syndicate must be extended to agriculture. This may mark the completion of the encircling movement or provide the necessary counterpoise. Quite apart from possible or preferable solutions, which I shall not venture

to propose, I think one warning emerges from the mass of facts: we must not urge agriculturists to reach agreements for the purpose of regulating production; we must not force them, in order to save themselves, to combine against other producers. That would be the greatest danger of all.

On the contrary, in the interests of economic solidarity, to which M. Theunis so aptly referred and of which His Excellency Count Bonin Longare spoke with his customary eloquence, we should endeavour to give agriculture its proper place and to ensure equitable conditions for its development. By equitable conditions I mean those conditions of equality which M. Tibbaut so rightly urged. Further, agriculturists should themselves contribute, by concentrating on technical improvements and organising agricultural work on scientific lines. Though we need not plead the interests of farmers, we must bring out the essential feature of the economic situation: the absolute necessity of safeguarding the interests of agriculture in order that industry may prosper in its turn.

I do not think that this is the moment to refer to the special problems of agriculture, for the Conference's first concern will probably be to deal with the general disorders of the present economic situation.

Suggestions have been received from various quarters for the establishment of permanent organisations. I trust that, when these proposals come to be examined, due reference will be made to the position and to the work of the International Institute of Agriculture, on which, in 1905, special powers in the matter of agriculture were conferred by the decision of almost every country in the world.

Whatever practical conclusions you may reach, I would point out that the International Institute of Agriculture provides already existing machinery for your future activities in the agricultural sphere, whether for the study of agricultural problems or for the purpose of co-ordinating effort and promoting understanding between agriculturists in the interests of production.

Concurrently with the pursuit of its scientific activities, the Institute is engaged in practical work which is daily growing in importance. It submits concrete problems to the Governments, it undertakes enquiries, it convenes conferences, it frames conventions to be concluded under its auspices, it promotes international co-operation through the Committees of its Scientific Council and the Permanent Committee of Agricultural Associations. The International Institute of Agriculture is thus open to all currents of opinion and is conversant with all the tendencies exemplified in actual practice.

Before I leave this platform I desire, on behalf of the great international organisation which I represent, to assure the members of the Conference of our earnest hope that their work may be successful and of our firm intention to co-operate to the full in that work.

The President:

Translation: I call upon M. Rygg (Norway) to address the Conference.

M. Rygg (Norway):

Mr. President, ladies and gentlemen — I should just like to make a few observations on behalf of the Norwegian members of the Conference. It was with great satisfaction that we in Norway heard of this meeting and we are expecting good results from it. We consider that one of the main results to be attained is a system of international treaties securing a freer and more stable policy for longer

periods. We also agree that it would be desirable to bring the most-favoured-nation clause back to its former importance, without the restrictions which limit its effect. Just as the most-favoured-nation clause in the past has been of great benefit towards facilitating the general conditions of international trade, so we think that the abolition of the various restrictions will help to restore freer intercourse between the nations.

Another important point is freedom of communications and equality of treatment for the ships of all nations. This principle has, as Mr. Runciman told us, found expression in the Maritime Ports Convention of 1923, and it is our sincere wish that this Convention should meet with general approval as soon as possible. The friction which now to a certain extent still exists and flag discrimination would then entirely disappear.

It is not my intention to mention the questions which especially affect our interests. We wish to work on broad lines, which can benefit all nations.

Any proposal intended to facilitate a return from the post-war policy to an effective employment of the most-favoured-nation clause will meet with our sympathy. We shall follow the proceedings of the Conference with great attention and give our support to such proposals as follow the line indicated.

In practical life we continue to see indications of a policy which is not in agreement with the spirit dominating this Conference.

It is certain that it is the great nations which exercise the greatest influence on the prevailing tendencies. Whenever the tendency has led towards greater freedom, Norway has always followed readily, and I feel sure that such will be the case in the future.

I do not know if this Conference will be able to deal with the monopolistic tendency. This problem, I think, should be solved by the nations separately. It is a question which can only be settled in course of time, and I doubt whether this Conference can obtain a positive result. In this meeting there is no question of class against class, capital against labour, but, as I see it, it is a question of nation against nation, and what we have to do is to influence the various Governments as far as possible in order that they should adopt a more liberal policy.

The report from the Trade Barriers Committee contains a number of recommendations. In our opinion the plan covers too many different questions. I might mention, for instance, treatment of foreigners, right to engage in business, right to acquire property, etc. We cannot recommend that these subjects be dealt with by the Conference. On the other hand, the same report contains excellent proposals as to the obstructions to transportation and trade facilities. I think that this material will prove of the highest value for the discussion in the Committees.

We should concentrate our efforts on international trade in order to ameliorate the general conditions of commerce, and, upon this central point, arrive at results of practical benefit to all mankind.

The President :

Translation : M. de Paranaguá (Brazil) will address the Conference.

M. de Paranaguá (Brazil) :

Translation : Mr. President, ladies and gentlemen — I have asked to be allowed to say a few words in order to draw your attention to a very alluring but very dangerous scheme which was evolved some long time ago but which has recently been given a certain amount of publicity. I refer

to the idea of establishing preferential Customs tariffs between European countries — in other words, the reservation of European markets for European products.

I consider that this scheme of continental Customs tariffs is wholly contrary to the spirit of international economic co-operation by which this Conference is guided. If carried into practice it would have most dangerous consequences. Reprisals would soon be taken, and in addition to the existing Customs barriers we should find ourselves faced with an American tariff and an Asiatic tariff, and the economic peace of the world would be more disturbed than ever. This economic battle would profit nobody. In Europe there are only two or three countries which could incur the risk of a Customs union in the hope of making up in the union markets for their losses in other markets.

I have submitted this question to you at a plenary meeting because I consider it to be the most dangerous of all contemporary economic tendencies, and I think that this idea of continental Customs tariffs ought to be carefully examined by the Committee which will deal with the portion of the first part of the agenda devoted to "Economic tendencies capable of affecting the peace of the world".

The President :

Translation : M. Chuan Chao (China) will address the Conference.

M. Chuan Chao (China) :

I have listened with keen interest to the various speeches delivered during the last few days, and had hoped that some one would draw the attention of the members of this Conference to the unilateral, unequal and unreciprocal tariff obligations which the Chinese Government is enduring to-day, in order that I might have been spared from appearing before you on this platform on behalf of my own country. But, since this desire has not been realised, I should be doing a gross injustice to the interests which I represent, as well as to the aims of this Conference, if I were to fail to avail myself of this occasion to lay before you the dangers to world peace which a continuance of such an economic regime would involve.

From what I have heard, some of you are in favour of protective tariffs and others are in favour of free trade. Some of you are for monopoly and commercial combines and others are in favour of open competition ; but I have so far found no one in favour of imposing upon any particular country unilateral economic restrictions with a view to free exploitation by the others. Yet vis-à-vis certain capitalistic Powers China finds herself in this unfortunate position.

In raising this question I do not wish to imply that I am in favour of a protective tariff for China or for a policy of free trade, but I do wish to claim on behalf of China the freedom to decide upon her own economic policy both in her own interests and in the interests of the world in general. I should be the last to raise this question if a continued denial of this justice were the concern of China alone, and if it did not constitute an economic tendency capable of affecting the peace of the world.

I was told yesterday that "the lack of economic order as well as internal conflicts in China are the cause of great anxiety to all countries"; but such political, and consequently economic, instability is mainly due to a delay in the termination of the economic restrictions on China which we are discussing to-day. So far the interested Powers

have not yet consented officially to allow China to levy more than the conventional Customs tariff of 5 per cent *ad valorem* which is now being applied to both imports and exports, necessities and luxuries, and the efforts of the Chinese Central Government to levy the Washington surtaxes in accordance with the spirit of the Washington Conference has encountered all kinds of difficulties.

What is more objectionable in connection with these restrictions is their unilateral character. While the Chinese Government accords certain Powers this lowest tariff rate, Chinese merchandise is totally at the mercy of the Customs officials of such favoured nations. This lack of reciprocity has not only rendered China absolutely helpless in the face of foreign dumping and unfair competition against her industries, but is also far from being adequate even for fiscal purposes. Whatever amount of revenue the Government may be able to secure from this source is earmarked almost entirely as security for the redemption of Chinese internal and external loans contracted wisely or unwisely, voluntarily or involuntarily, by earlier administrations.

The Central Government, handicapped by this fiscal restriction, finds its position vis-à-vis the various provinces greatly weakened and is often prevented from either coming to the assistance of any particular province in case of financial need, or enforcing its will on any province in case of revolt or recalcitration. This explains to a certain extent the political instability of China.

This is not the only reason why internal peace in China (a factor so necessary for world peace, as has been shown by the trend of recent events in the Far East) depends largely upon an early termination of the present economic regime in that country. The very existence of such an obligation on the part of the Central Government, regardless of the party in control of it, exposes it to constant attacks from the opposition party and offers pretexts for internal revolution and secession.

I recall a conversation which I had a few years ago with the chief of an influential political party of Outer Mongolia. He said that the principal advantage which Outer Mongolia would obtain from remaining autonomous lay in the fact that it could thus be free from the "regime of unequal treaties" imposed on China by the "imperialistic Powers". This shows how intimate the relation is between the political stability of China and her economic freedom, as well as the necessity for the Powers to co-operate with the Chinese Central Government.

Pending the removal of such a regime, and in the face of continued internal commotions, it is clear that the rich unlimited natural resources of China will continue to remain locked up and undeveloped. You know that China is not only a first-class agricultural Power, famous for her cotton, silk and tea industries; she is equally rich in mines, especially in antimony, tin, coal, iron — the essentials for an industrial State. What she needs at the present moment is capital, and this need is all the more felt since the Great War because the European Powers need at home all the capital they can obtain for making good the losses caused by the war, and the United States — the lending Power — has been much too conservative in investing in China, preferring to invest there, if necessary, via Europe.

On the other hand, with the continuance of the economic restrictions on China, followed by the consequences to which I have referred, not only will investors hesitate to go to China, but the Chinese Government and people will be most reluctant to employ foreign capital for the development of their resources for fear that the

national flag of the investor may follow his money. The continuous locking up of Chinese resources, however, will be most unfortunate not only because it will fail to reduce the price of goods by opening up fresh supplies but because it may tend eventually to revive the struggle for concessions among the capitalist Powers.

These economic restrictions have also greatly hindered an increase of Chinese purchasing power. Apart from the period of the Great War, foreign imports have steadily increased, especially since 1918, and this rise has taken place despite the political troubles in China. On the other hand, large though the volume of foreign imports to China is, it is quite insignificant if we take into consideration the enormous population of China and her need for foreign imports in order to transform her from her present agricultural condition to an ultra-modern and industrial State. Taking the amount of imports of foreign merchandise for the year 1925 and the 1923 census of Chinese population as our basis, the consumption of foreign merchandise works out at only \$1.70 gold *per capita*. You will see, therefore, how insignificant foreign imports to China still are, and how much more China's purchasing power could be increased by the stabilisation of her political conditions, the modernisation of her cities, the completion of public roads and railways and the development of her natural resources.

Finally, the problem of unemployment in China is also closely related to this economic regime. The dense population of that country has always been an embarrassment to the Chinese Government and this embarrassment has been further enhanced by lack of sufficient openings for the employment of Chinese labour. On this account, the surplus population has been forced by economic pressure to emigrate to other countries. In so doing, it has had to encounter the cold of Siberia, the heat of the tropics, the hostile legislation of certain countries and the opposition of local labour unions. Despite all these obstacles, the Chinese emigrants have succeeded in establishing themselves in various parts of the world and they and their capital constitute to-day the very pillars of the economic structure of many of the territories.

It must be borne in mind that the Chinese are a conservative race, and all their traditions and customs tend to prevent rather than to encourage emigration from their fatherland. That they have to leave behind their homes and the shrines of their ancestors testifies all the more to the acuteness of the unemployment problem, which is due mainly to the undeveloped state of Chinese resources and to foreign competition in China, which in turn are caused by the existing economic regime which some of the Powers have been practising in China. Since the war this problem has been greatly intensified.

With the approaching reunification of China, followed, as it undoubtedly will be, by the demobilisation of the surplus Chinese military forces, the unemployment problem there will become infinitely greater. The only solution appears to lie in a full industrialisation of China through Sino-foreign co-operation following on the removal of the economic restrictions to which I have referred. This may solve not only the Chinese unemployment problem but also that of other countries and render further Chinese emigration to other countries no longer necessary.

In conclusion, I wish to point out that this aspiration of China has so far received the fullest sympathy of the various Governments concerned. Delay in putting this regime to an end is now no longer due to lack of accord between China and the interested Powers or among the interested Powers

themselves. It is mainly due to the obstruction of certain foreign commercial interests trading with China which, in their thirst for profits, have overlooked the bigger issues involved. For the removal of these difficulties I believe I cannot find a more competent or more authoritative body than this Conference. It is to be hoped that you will exercise your good offices and that something may be done at this Conference along the lines I have indicated in the interests of justice and world peace.

The President :

Translation : Mr. Layton (British Empire) will address the Conference.

Mr. Layton (British Empire) :

The subject of debate is the analysis of the economic causes of the present disturbed equilibrium in commerce and finance. The purpose of such an analysis is not mere historical curiosity. It is needed in order to enable us to visualise the economic evolution of the world in the near future. Only by taking this forward view can we hope to achieve our main purpose of indicating to the world what we conceive to be the appropriate line of future commercial policy.

The facts on which we must base our judgment have been very fully set out in the documentation which has been prepared for this Conference. What general conclusions do we draw from it all as to the economic condition of the world and of Europe in particular ? Does the picture suggest an optimistic or a pessimistic view of the future of Europe ?

All economic statistics clearly show that not only in the world generally but also in Europe rapid progress has been made in recent years in the process of recovery from the effects of the war. There are only nine countries in Europe to-day which have not introduced legislation stabilising their currencies, and of these only France and Italy are of sufficient industrial importance to constitute a serious menace to European financial equilibrium if their currencies were again to depreciate.

The memorandum on "Production and Trade" shows that, in 1924, European production of raw materials and food, which had certainly fallen to much lower levels after the war, had recovered to 90 per cent of the output of 1913, while in 1925 it rose to 104 per cent. Trade has not recovered to so great an extent, but even the trade of Europe (which almost ceased during the war) was, in 1924, 89 per cent of the 1913 level, and rose to 94 per cent in 1925. Moreover, in the field of commerce the recovery of trade which has followed the disappearance of the more extreme forms of obstruction has, with some important exceptions, taken place in the main along pre-war channels — a fact which suggests that the broad lines of international commerce are no mere accident but depend upon deep-seated physical and economic differences between various countries.

But when full allowance has been made for the final disappearance of transitory disturbances — monetary, political and social — arising directly out of the war, there remains much leeway for Europe to make up. If we include dependants, it is estimated that there is in Europe to-day a population of at least ten millions whose wage-earners are out of employment. Can they be reabsorbed into industry ? At the moment the trade outlook is in many directions not unfavourable. Production is increasing, and there is a fall in the number of the unemployed ; but below the surface lies the fact that Europe is in the presence of a world situation which is permanently changed in many important respects from that of 1913, and it

would be rash to take for granted that, if we only leave things alone, Europe will overtake the arrears revealed in the tables to which I have referred.

What, then, is still required to be done ? On this matter we get little guidance from international discussions which have hitherto taken place. The general attitude of previous economic conferences has been that we must aim at restoring pre-war conditions, and that, if only we can succeed in this, all will be well. The Brussels Financial Conference of 1920, for example, laid down a series of propositions in regard to currency and public finance which had been proved to be sound by long experience. When the Conference came to deal with international commerce, it demanded the restoration of "at least that degree of freedom of trade which existed before the war". Two years later the Genoa Conference laid down as a guiding principle that "the territorial changes resulting from the world war should alter as little as possible the normal channels of trade".

This conception of "Back to pre-war" was a useful starting-point in the years immediately succeeding the war, when the most urgent task was evidently to clear away the temporary difficulties which the war had left behind. Experience has proved that in the financial field the restoration of the gold standard and of budgetary conditions as nearly as possible in accordance with the generally recognised pre-war principles of finance was the right policy — at all events as a first step. The relaxation of war-time policies has also, as we have seen, been of considerable effect in permitting the restoration of commerce.

I wish, however, to insist as strongly as possible that to adopt the slogan of "Back to pre-war" as the keynote of the present Conference would not merely be futile but would give a completely false impression of the problems with which the world is faced.

There are many reasons why we cannot regard a return to pre-war conditions as a complete solution of the problems we have been called upon to consider. In the first place, there has been a great increase of industrialisation in countries all over the world, from east to west and from north to south. The spread of technical knowledge, rapid communication, the diffusion of capital and other influences have profoundly modified the privileged position which Europe hitherto enjoyed in industry. It is almost unnecessary to cite facts illustrating this process. Full confirmation will be found in the volume of documentation on coal, steel, cotton, in the chemical trade and in many other instances. I do not suggest that this development, though it may at first be to the detriment of established industries, necessarily and in the long run involves the impoverishment of Europe. On the contrary, a great increase in the productivity of distant nations, with its corollary of a rise in their standard of living, particularly in poor and densely peopled countries, is in my opinion likely to involve a large increase in the total volume of international trade in which Europe will have its share. It is, however, clear that, looking at the world as a whole, we in Europe have to face not merely a "disturbed equilibrium in industry and commerce" but an entirely new equilibrium.

This new distribution of the world's productive activity is not a mere consequence of the war. It is rather a continuation of a tendency that has been in operation for two or three decades. The change has, however, been enormously accelerated by the war, which, in effect, has caused the world to pass, in a few years, through stages of evolution which in other circumstances might have occupied

several decades. Europe's troubles have hastened, they have not created, these tendencies.

A second and far-reaching change in comparison with 1913 is the appearance among the capital-exporting countries of the world of the United States, which, from being a debtor nation, has become one of the world's chief creditors. The timely outpouring of capital from the United States in recent years has been a very important factor in hastening post-war economic reconstruction. It has assisted many European nations to restore their industrial activities and in other continents it has enabled developments to continue, despite the heavy reduction in the British and other European exports of capital.

But what are the consequences of this phenomenon? The conditions under which this export of capital has taken place are unlike any to which we have hitherto been accustomed. Great Britain, it is true, has previously been a lender on an even greater scale; but Great Britain bought and transported the products of the countries she developed with her capital. Throughout the last fifty years, when she has been so freely developing the distant countries of the world, her trade balance has shown a large visible surplus of imports. The United States, on the other hand, shows to-day a surplus of exports, and, so far at all events as European trade is concerned, she is taking steps to keep out the products of the countries which her capital is developing or restoring.

It would be of great assistance if the United States delegation could give some indication during the course of this Conference of the rôle which they expect America to play in world commerce in the next decade. Is it safe to assume, and for the Governments of Europe to base their policy on the assumption, that America will continue to lend freely, but will not buy from Europe? If so, is it probable, in their opinion, that a new equilibrium can be established in which America will buy the natural products of tropical countries on a scale large enough to enable her creditor position to be liquidated by a system of triangular trade?

A third and almost equally important change is the alteration in the flow and distribution of population as between the different countries. Since the war, for example, there has been a heavy reduction in the outward movement of population from Europe, which in 1924 amounted to less than 600,000 persons compared with an exodus in the three years preceding the war of one and one-third millions per year. This check has occurred in spite of two considerations that normally might be expected to increase the outflow, namely, that the outward movement had been, in effect, completely stopped during the five years of war, and secondly that since the war the discrepancy between the high standard of living in overseas countries and the more modest standards prevailing in Europe has increased. I cannot attempt to pursue the economic consequences of this check. I only note it as one of the important changes in the situation of Europe.

Lastly, a factor which cannot be left out of account is the alteration in the trading relations of the countries concerned that is involved in the settlement of reparations and of the international indebtedness arising out of the war. Debtor nations must expand their exports sufficiently to yield a surplus over and above what is needed to balance their import requirements, and creditor countries must be prepared to face adjustments in the opposite sense. The final adjustments of international trade which these payments involve have yet to be made.

These are four of the big changes that have taken place in the world situation. There are equally important new factors that have emerged in Europe itself. Most of these are political in character and must be discussed by an Economic Conference with great discretion. They cannot, however, be entirely ignored, for their consequences are essential elements in the situation with which we have to deal. I propose to touch upon two of them only very briefly.

In the first place, there is the position of Russia. Before the war, Russia's international commerce was greater than that of India, but in 1925 a smaller proportion of world trade than that of Denmark before the war. But for the interruption of the war it is probable that Russia would have witnessed a long period not only of great internal development but also a steadily rising volume of foreign commerce, and that this growth would have afforded to Europe an increasing market and have offset, to some extent, the tendency noticeable even before the war for certain overseas countries to become more self-contained. It is not yet possible to foresee, and I certainly do not propose to discuss how or when, the inevitable friction between two conflicting economic systems can be adjusted, but we can at least invite the Russian delegation to indicate what are the prospects, under present conditions of economic intercourse, of Russia's foreign commerce expanding to its pre-war dimensions.

In the second place, there is the fact that Central Europe has been divided economically as well as politically into a number of small units. The result is that, allowing for the fact that on each side of a land frontier there is a Customs cordon, Europe has to-day 11,000 more kilometres of tariff barriers than before the war. Here, again, it is not our business to discuss the political arrangements of 1919, but it is essentially our task to deal with their economic consequences. Certain of these consequences, so far as they affect Central Europe, are dealt with in the report which Professor Rist of Paris and I had the honour of presenting to the Council of the League two years ago on the economic condition of Austria. It is there pointed out that the "morcellement" of Central Europe is responsible for a waste of capital through the duplication of plant, much of which cannot be fully or economically employed; but it has caused a very great reduction in the volume of trade passing between the various fractions of the old Austro-Hungarian Empire as well as between those countries and contiguous countries, and that it has made necessary a diversion of the trade of these countries into new channels—a diversion involving a very painful readaptation of their industrial and agrarian activities.

But perhaps the most important consideration of all is that, by encouraging the setting up of plant to supply separately a number of small independent markets, it has run counter to the tendency which has perhaps contributed most to the growing prosperity of the world, namely, an increase in the scale of production and of specialisation and standardisation in great industries. In other words, it has denied to Europe the opportunity to share fully, and enjoy the benefit of, these recent economic changes which are responsible for the great material advancement in America and elsewhere. Small economic units may have been defensible fifty years ago; in face of modern conditions of production, they have to-day become an anachronism.

But whether we have in mind those changes which are the consequence of long operative economic tendencies, or those that result from recent political developments, we are compelled to face the fact that in important respects Europe

is faced with substantially new conditions, many of which are permanent ; that these new conditions constitute new difficulties in picking up the threads of Europe's industrial evolution that were dropped in 1914, and that new plans and a new outlook are needed to meet them.

What these plans should be it is the main purpose of this Conference to consider. Without attempting to forestall its conclusions, it is safe to predict that, if they are to have any chance of success, they must be firmly based upon at least three general ideas. Incidentally, these three ideas are also coming to be recognised as a sound basis for success in private industry. Frankly, they sound the merest platitudes. But, if they could really be put into effect, they would bring about an economic revolution comparable to that which has been taking place in the United States.

The first is — and it has been mentioned a dozen times during the last two days — that the interdependence of the nations of Europe is so close that their economic prosperity must rise or fall as a whole ; individual nations — in spite of the appeal at times to the opposite — cannot hope in the long run to remain prosperous through their neighbours' misfortunes.

Secondly, material well-being can only be achieved by economic production ; permanent prosperity will never be achieved either by industries or by communities which pursue the policy of trying to make profits by restricting production.

Thirdly, Europe can only hope to keep abreast of industrial progress if her economic organisation permits of specialisation not merely between individual businesses but between nations. This means not only increased international exchange in its broadest sense but also an ever-increasing degree of economic interdependence, accompanied by much closer economic collaboration in many spheres than has existed in the past.

This result is not to be attained by comparatively minor changes in tariff procedure, but requires such substantial reductions in the level of existing tariffs that the tide of international exchange may flow in greatly increased volume. This cannot be attained in a day ; but if my diagnosis is correct we cannot hope to solve the problem of Europe until the nations are prepared to act in this sense.

May I add that the object we have in view cannot be attained merely by setting up the machinery of co-operation — M. Jouhaux yesterday made an interesting suggestion for the creation of a great international bureau. I personally fully recognise that some machinery is needed for organising continued collaboration on these problems — though I and several of my colleagues think that some plan less elaborate and more elastic than that proposed by M. Jouhaux would be more effective to attain the purpose he has in mind. We — that is, I and my colleagues — shall be prepared at the appropriate time to put forward our proposals for ensuring that the great work initiated by this Conference shall not be lost. But I sincerely hope that the Conference will not succumb to the temptation of shirking the questions of real substance and concentrating its attention on questions of machinery.

The temporary consequences of the war are passing away and we are to-day facing the normal economic relationships of the future. Are these to be based on the old policy of separatism and isolation — exaggerated, as they have been, by the war — or are they to be based on effective co-operation comparable to that which the League is endeavouring to attain in the political sphere ? The choice does not lie with us, but it is our business to point out without hesitation or ambiguity the

conditions that will be the consequence of adopting the one or the other policy.

I have mentioned two striking figures. I will add a third : 11,000 kilometers of new tariff barriers ; a population of at least 10 millions whose wage-earners have no productive work ; an annual expenditure of $2\frac{1}{4}$ milliard dollars upon armaments. These are the symptoms of a disunited Europe.

I presume that the first section of the report of this Conference will summarise the results of this general discussion and endeavour to present a picture of the economic situation of the world. I hope that, when that account is drafted, it will consist not of a bald enumeration of facts but will attempt to appraise in the manner I have suggested the economic prospects with which Europe, at all events, is faced, and thus bring forcefully home to the attention of public opinion in all countries the need for closer co-operation and collaboration in economic and commercial policy.

The President :

Translation : Mr. May (Secretary-General of the International Co-operative Alliance) will address the Conference.

Mr. May (Secretary-General of the International Co-operative alliance) :

Mr. President, ladies and gentlemen — May I first of all offer to the League of Nations the sincere thanks of the co-operators of the world for the invitation which it has extended to the International Co-operative Alliance to take part in this Conference? We are glad to see that the Council of the League has recognised the practical importance of the economic movement known as co-operation, and that, face to face with the great problems of the economic development and well-being of civilisation, it has invited the great democratic mass of co-operators to a seat within its councils.

Even before the Council of the League had taken this important step the Governments of the different countries in which co-operation has long since established its organisations had moved in the same direction, so that to-day there are nearly forty representatives of co-operation who, either as members of this Conference or as expert advisers to the national delegations, are participating in the work of the Conference.

The International Co-operative Alliance, which I have the honour to represent to-day, includes thirty-four States, eighty-five national unions or federations and fifty million shareholding members. Two or three other States are on the point of entering, and it may be of interest to the Conference to know that the latest application for admission comes from Persia. The co-operative movement is regarded by impartial critics, and even by many professors of economics, as a practical and constructive movement seeking, as it claims to do, the establishment of industry and commerce upon a non-profit-making and collective basis. A new system of society based upon mutuality, resulting in the uplifting of the mass of the people, is the economic and social ideal of our movement.

When we come to face the problems which appear upon the agenda of this Conference, we are constrained to admit that there is very little difference between our demand and those of the general body of the citizens who are not co-operators. That is because the co-operative principle corresponds in fact to the general interests of the community and is opposed to individual profit-making. The differences, then, between us are mainly those of method, and we would respectfully

suggest to those here to-day who represent the ordinary capitalist system that the co-operative movement has been working quietly and constructively at these problems for a generation or two. Its progress as a voluntary association, made up of the mass of democracy without initial capital save the wages of labour and the very narrow margin of saving which those wages permit, is necessarily slow. But its success is indicated in the few figures I have given you and in the presence in this Conference of such a substantial representation from many lands.

The traditional economic policy of co-operation has always been indicated by the principle of the association of nations as in a family. The movement has made its greatest demonstrations for peace, economic and political. During the great war it demonstrated most strongly its force, its stability and its freedom from individualism. Even while the war was yet in progress co-operative conferences were held in Paris with the object of defining the after-war programme and policy of co-operation. The records of those Conferences in 1916 and again in 1919 when neutral and Allied countries were represented, prove that co-operatives had defined their policy on some of the main questions before this Conference to-day.

When, in 1921, we were able to hold our first real International Congress since the war, the policy of international co-operation was clearly defined and unanimously adopted. Let me give you the gist of the report which was submitted to that Congress at Basle, together with the resolution of the Congress, which shows what that policy was and what it remains to-day :

“We agree with the Free Traders in accepting the international division of labour as a condition which is clearly necessary to the progress of humanity. We are with them in opposing the tendencies towards national exclusiveness which have been aroused in many countries by the war and its consequences. We consider that the triumph of these tendencies would mark a step backward in civilisation. We do not believe that general welfare and harmony will arise necessarily and automatically from a universal conflict between private interests all fighting for gain. To the spirit of competition we oppose the principles of mutual help and justice. The success of co-operative institutions has demonstrated the economic, as well as the moral, value of these principles. We are resolutely in favour of the organisation of the world on a basis of solidarity, so that the nations may no longer regard one another as rivals but as partners. We must try to define exactly how we conceive this organisation and in what measure co-operation can help to bring it about, both by the development of its own constructive work and by the influence which it can and should exercise on public opinion and the Governments.

“In the first place, we should investigate the best means of abolishing or limiting the abuses of speculation by establishing the exchange of goods on a regular and stable basis which would give no opportunity for profitable operations by middlemen.

“In the second place, we should define the most effective measure for controlling international monopolies and trusts. The aim of control should not be to hinder the attempts of the great international, financial and industrial combinations to improve technical organisation. We are fully aware of the advantages which may be offered by a coherent system of production and distribution, based on a plan worked out by an intelligent central management.

We do not regret the unrestricted play of competition. Competition between rivals of limited conceptions and limited means only produces a moderate degree of order at the cost of a great waste of human energy and natural wealth. Our complaint against the trusts is that they place uncontrolled power in the hands of a small group of men, who make, or at any rate may make, use of it in a way which is contrary to the general interest. Our attitude towards the trusts should be to attempt to make the co-operative point of view prevail by supervision of the conditions under which they work. This point of view is that of organised production for the satisfaction of the requirements of all and the sale of goods at a fair price.

“Finally, we should study the means by which it is possible to remedy the unequal distribution of natural resources among the various national States and to see that each nation receives fair treatment in the distribution of raw materials and foodstuffs. These questions are more closely connected in proportion as the States have joined hands with the trusts, as they now do with increasing frequency, in order to establish control over the sources of raw materials.

“The resolution of that Congress at Basle recognised that commercial policy has up to the present been a policy of war; that this war has assumed a defensive form when countries have adopted the system of protection in order to defend themselves against what they call enemy invasion, i.e., against imports, by raising Customs barriers; that the system of free trade, on the other hand, has resulted in offensive war when countries which were too strong to be afraid of imports have tried to invade other countries; that other countries had pursued a bold and ingenious policy of imperialism by a system of dumping and trusts, by which they attempted both to close their home markets to foreigners and to capture foreign markets.

“Co-operators denounce competition and war in all their forms. They recognise that in many cases the system of free trade has helped the consumer by reducing the cost of living. Their own policy, however, cannot be either nationalist, protectionist or free international competition. The object of the Co-operative Movement is association between all nations.

“It declares that commercial treaties should be multiplied. It demands, however, that they should no longer be governed by the spirit of bargaining which has hitherto prevailed. It also desires that these treaties should be renewed for a sufficiently long period to assure the sound development of industry, and, finally, it is convinced that commercial relations between the co-operative organisations of various countries will not only serve the general good by eliminating middlemen's profits but will also lay a strong foundation for a world economic system in which the spirit of strife and competition would have no place. For this purpose it recommends the establishment of direct relations, as between country and country and within each country, between organised consumers and agricultural producers' organisations, and it counts on the central organisation of the International Co-operative Alliance to unite all the co-operative organisations of the whole world.”

In the presence of this clear declaration of 1921, which to-day remains, without alteration, as a standard of the international co-operative movement, and in presence of the practical and constructive work of which our movement in more than thirty-five countries gives proof, we do not

desire to take up the time of this plenary meeting of the Conference with details which may more properly be reserved to the various Committees. We would, however, point out that, in addition to the great development being achieved by the consumers, productive, agricultural and credit movements of each country, we have in operation three special bodies, working, one towards the establishment of international co-operative trading on the same basis of mutuality as the national federations and local co-operative stores ; another towards the establishment of an international co-operative bank, which many of us think is the most important problem of all ; and the third towards the establishment of international co-operative insurance.

The methods by which we seek the benefits of association and the ideals of fraternity without the inducement of individual profit-making have in them nothing that is revolutionary in the violent sense of the term. They are rather the peaceful evolution of a happier and juster social order, and we believe that along the lines already indicated lies the ultimate and perhaps the only solution of the problems before this Conference to-day.

The President :

Translation : Mr. Matthews (Canada) will address the Conference.

Mr. Matthews (Canada) :

Mr. President, ladies and gentlemen — I have the honour to convey to this distinguished assemblage a cordial expression of good will from the Government and people of Canada.

The Dominion of Canada is an integral part of the British Empire. Of the British Dominions beyond the sea it has been well said, "Daughter am I in my mother's house but mistress in my own". You have already learned from our esteemed colleague of the British delegation that the British Dominions, economically, are independent.

The Dominion of Canada has for many years granted a tariff preference to Great Britain. We have trade treaties with some of our sister Dominions and with some independent nations.

In common with other countries, Canada faced a serious economic situation at the close of the war. Agriculture, our greatest occupation, was depressed, industry languished, exchange became unfavourable and, on top of our large war debt, we found ourselves saddled with a railway situation which became for us a grievous burden.

To meet this situation it was, in our judgment, absolutely essential to increase production. We achieved this result *not* as has been announced by many countries here by increasing our tariff but by *decreasing* it. We cheapened the instruments of production. Tariff reductions were made on the tools and implements necessary for agriculture, for the forest, the mine and for our fisheries. This policy on the part of our Government has resulted in a gradual increase in production, which has in due time brought a return of prosperity to our Dominion.

The people of Canada have their roots deep in the soil of Europe. We cherish beyond power of expression our ancestry in Britain and in France, as well as in Northern Europe. Canada is now one of the largest immigration countries of the world.

For us the two most pressing of our international problems are : first, to find wider markets for the products of our land, forests, mines and factories. In that connection it is to be assumed that the Government of Canada will gladly enter into negotiations with other countries looking to a fair exchange of commodities. Secondly, to absorb

and place upon the land, as rapidly as increased markets will permit, large numbers of people who will eventually assist in the development of their adopted country.

The Canadian members of this Conference may therefore be permitted to express the hope that in the coming deliberations we may be enabled to contribute in some measure to those wise and helpful conclusions which are so necessary at this time for the development of trade and industry throughout the world.

The President :

Translation : M. Sonne (Denmark) will address the Conference.

M. Sonne (Denmark) :

The difficulties which international trade has had to face in consequence of the "war after the war" have in many quarters given rise to grave concern, as is shown by the Manifesto published in October last by European and American leaders of the financial, commercial and industrial world of sixteen countries as "a plea for the removal of restrictions upon European trade". The contents and the object of the Manifesto are thus clearly defined. It refers to the establishment of numerous new frontiers within Europe with the consequent break-up of great political units. It states that, in order to mark and defend these new frontiers in Europe, tariffs, restrictions and prohibitions were imposed, the results of which, as experience has shown, have been unfortunate for all concerned in bringing about increase of prices, artificial dearness, diminution of production, limitation of credit and depreciation of currencies. As the surest means of returning to healthy commercial and credit conditions, the Manifesto points to the necessity of freeing trade from oppressive ties by breaking down the economic barriers between countries and thus restoring economic freedom.

In short, the Manifesto aims at a discontinuance of the inner Customs walls of the European countries.

This free-trade manifesto has everywhere met with warm sympathy in liberal circles as an authoritative expression of the ideas and preoccupations of to-day and as an attempt to indicate a practical method for the requisite reformation of European trade conditions. Within political circles, where the practical difficulties connected with the break-up or removal of tariff barriers are fully understood, the Manifesto will, however, have also to meet with a considerable amount of scepticism.

It is undeniable that this scepticism is a natural consequence of the ordinary tariff measures taken after the war, but it seems justifiable to hope that it may be modified in some way by the elaborate and many-sided work which has been done to prepare for the present Conference. The material before us clearly proves that the impediments to European trade mentioned in the said Manifesto have been kept in view, and that the statement of the Manifesto that freedom of trade ought to be sought as actively as possible by taking action against tariff barriers and restrictions is extremely well founded.

It is clear, however, that many practical difficulties will oppose these endeavours.

As a representative of agricultural industry, I note that far-reaching restrictions may be maintained under cover of the plea that they are justified to protect animals and plants against disease. I do not want to deny the necessity for such a provision, or of a corresponding provision where it is a question of protecting vital economic

and financial interests. The decisive question is whether such provisions are enforced in a liberal spirit and whether the liberal policy aimed at is not made illusory by using such provisions to establish a practice in contradiction with the clearly formulated but relatively vague provisions of the text, that the provisions "are not applied in such a way as to conceal measures the object of which is purely economic".

As a Danish farmer, I cannot but welcome the signs of a furtherance of a liberal tariff policy to which the programme of the Conference bears witness, for the great majority of Danish farmers have always adhered to a free-trade tariff policy.

Let me add that we Danish farmers trust we do not stand alone in this respect but have many partners in other agricultural countries. I was delighted to hear the Belgian member, Baron Tibbaut, express the same opinion in his interesting and weighty speech.

Other speakers have emphasised the importance of international exchange, looking at it from the point of view of manufacturing industries, commerce and finance. I trust, therefore, that a few words on this subject from the point of view of agriculture are not out of place and will not disturb the harmony of voices to which we have listened with so much interest at this Conference.

The farmers in various countries have recently shown their appreciation of international co-operation. Not more than six weeks ago a meeting was held at Paris at which representatives of agriculture from twenty-seven countries were present. A resolution concerning the work of the present Conference was adopted and it was decided to place it before the Conference in the name of the "Commission internationale d'Agriculture".

This declaration contains a number of excellent recommendations which I hope will meet with full approval from all sides. In one respect, however, I think it should be completed. I look in vain for a recommendation concerning international trade in agricultural products, a recommendation in harmony with the liberal line drawn for the discussion of trade at this Conference.

Every one will agree with the opinion expressed in the declaration that it is unjustified artificially to cheapen agricultural products. In my opinion it is, however no more justifiable artificially to enhance their prices by high protective duties or by prohibitive measures, a policy which has been extensively followed of late, for such a policy must necessarily lead to diminished consumption of agricultural products and to a corresponding reduction in their production and sale, which is contrary to the interests of the agricultural industry as a whole.

A healthy and natural relation between the prices and costs of production of farm products is a legitimate claim, supported by the whole agricultural world. This may be attained in two ways — higher prices or lower costs of production. Personally, I do not think there is much chance of a lasting and natural increase of the price level, and artificial measures in this direction are, as mentioned above, undesirable. In the long run, reduction of the costs of production will certainly prove the most effective way.

The Paris Declaration contains a number of directives which will be of great help to the work in this respect. I feel sure that we farmers from all parts of the world ought to support these directives. We are fully aware that in economic matters there is a solidarity between trades as well as between nations. This is another reason why farmers should participate loyally in an active co-operation for the removal of restrictions and tariff barriers, which also, as far as agriculture is

concerned, fatally check the keenly wanted freedom in production and exchange of commodities.

The President :

Translation : M. Heintl (Austria) will address the Conference.

M. Heintl (Austria) :

Translation : The separatist policy which is still being applied to-day may have the effect of preventing the normal economic development of the smaller States. In such an event, a crisis in these smaller States would almost inevitably react upon the other States.

The Austrian members were particularly glad to accept the League's invitation to be present at the world Economic Conference, as they gratefully recognise and appreciate the success and efficacy of the work carried out in Austria by the League. It was the League's action which enabled us, thanks to the self-sacrificing spirit of our people, to balance our budget and thus obtain a sound basis for currency stabilisation.

Currency stabilisation is recognised to be the first stage in economic reconstruction. In our case this reconstruction is not yet complete; the great economic crisis from which the whole of Europe is suffering weighs upon our little State particularly heavily, as we have been obliged to adapt our economic organisation to entirely new conditions.

The speeches delivered here by the representatives of the great Powers have shown us to what an extent the economic crisis is felt by those States. Its effect must necessarily be more marked in smaller States, which are suffering even more seriously at the present time.

It is only natural therefore that the representatives of these smaller States should pin their hopes to the present Conference, which is to indicate in economic matters, and more particularly in the matter of European commercial policy, the methods to be adopted to enable industry and economic life in general to emerge from the very serious depression from which they are now suffering.

Technical progress in production leads naturally to mass production, and this in its turn requires an extensive market which the smaller States do not possess within their own territory.

Unless a more rational commercial policy can be adopted to facilitate the circulation of goods, we shall find ourselves, as it were, with an overheated engine, and the result will be a serious explosion which will endanger the economic life of the smaller States; and repercussions of it will inevitably be felt in other countries.

We venture to hope, therefore, that through the influence of this Conference the economic reconstruction of Europe will become a reality, and that every individual European State will be able to find in the scheme of world economy the place due to it in virtue of its agricultural and industrial importance.

Professor Cassel, Dr. von Siemens and other speakers have emphasised the preponderating rôle played in the present crisis by economic organisation. The present crisis undoubtedly presents features different from those of previous crises because of existing organisations, which are rapidly increasing in number and which constitute a new factor.

Instead of a sharp drop in prices, we have limitation of production, and instead of a fall in wages, we have unemployment.

At the same time, let us make no mistake. These economic organisations account for the peculiar aspect of the crisis, but they are not its actual

cause. The restoration of European economic life will only be possible if mass production can find a big market in some great economic territory, as is the case in the United States of America. Thus the crisis itself points to the extension of economic territories and not to the restriction which results from the present commercial policy.

Of the great principles that constitute the basis of the League, the greatest of all is economic solidarity, and this alone has power to overcome the present crisis and to form the actual foundations of world economic peace.

All the speeches that we have hitherto heard point to a remarkable identity of views. Not a single speaker has advocated a restriction of economic territories such as we have experienced during the past few years. We must hope that the Conference will convert these words into deeds.

As a representative of one of the smaller States, I would plead, perhaps more urgently than other representatives, for some attenuation of the rigour of the system of prohibitions, as this would enable my country to extend its economic territory and thus promote economic solidarity between the nations, irrespective of political frontiers.

Economic peace in Europe is a goal which must be reached; it forms the soundest basis of economic peace throughout the world.

The President :

Translation : M. Bandeira de Mello (Brazil) will address the Conference.

M. Bandeira de Mello (Brazil) :

Translation : Mr. President, ladies and gentlemen — When we examine the economic and social causes which have combined to upset the balance of trade and of industry, we realise the important part played by the agricultural countries, whose foodstuffs and raw materials are necessary to supply the requirements of the population and the factories in industrial countries.

The more deeply we study the root causes of economic crises, the more clearly we visualise the interdependence which links the nations together by reason of the constant exchange of commodities necessary for their home production.

Since the economic prosperity of nations depends upon these exchanges, it is clear that any agricultural crisis must necessarily affect industry.

Before the war, the constant stream of emigration to new countries helped to increase the world's wealth and enlarged the field of economic activity through the exploitation of the new regions which thus offered fresh scope for labour. Industrial countries exported manufactured products in exchange for the raw materials received from agricultural countries. The balance was maintained by means of a distribution of labour based on the special resources and economic reserves of the individual countries. During the war, this balance was disturbed. Europe suddenly ceased to send workers to overseas countries, whose output suffered owing to the shortage of labour. Wages rose, the cost of production of raw materials went up and manufactured articles inevitably felt the effects.

Then, again, the increase in agricultural wages helped to raise the price of foodstuffs, and, hence, the cost of living in every country in the world. The standard of living in industrial countries also rose very considerably. Manufactured articles were necessarily affected by these unsettled conditions, and prices rose so high that agricultural countries had perforce to cut down their orders. Those countries offered the best market for the products

of industrial Europe, so that when orders failed manufacturers were obliged to discharge many of their hands, who had then to be supported out of unemployment relief funds.

Before the war, the unemployed numbered only a few hundred thousand, while there are at the present time about ten million unemployed in the world.

The countries of the New World, with their still unexplored and unexploited natural resources, offer untold possibilities for the large numbers of unemployed at present in receipt of unemployment pay. Taking four as the average for an unemployed family, unemployment relief has to provide subsistence for some forty million persons. The funds required constitute, to a certain extent, a charge on production, the ultimate cost thus being borne by the consumer.

The fact appears to be generally established that, taking into account the population of the world as a whole, the production of foodstuffs is not sufficient to provide each individual with enough for his physical needs. Yet at the very moment when lack of foodstuffs in Europe is helping to raise the cost of living, there are several regions of the globe where part of the crop has to be abandoned because it is impossible to obtain labour to harvest it in time.

This means that the productive power of the world is badly distributed, the result being general depression. On the one hand, labour-power is being wasted for lack of work, whilst on the other wealth is being lost for lack of labour-power.

The agricultural wealth of America is derived chiefly from immigration countries, which have no industries of their own and offer excellent markets for the manufactured products of the industrial nations of Europe. The new countries of Latin America, and particularly Brazil, are called upon to play an important part in the economic life of the world.

In my opinion the unemployment problem, which is first and foremost a human problem, should be given very serious consideration by this Conference. Only two days ago, M. Cassel, our colleague of the Swedish delegation, said that prosperity could be attained only by increasing production; but production calls for the rational distribution of labour-power.

Our aim is to increase production by reducing the costs of production — in short, to rationalise production, so that the cost of living may be lowered and social conditions in the different countries may be improved.

The systematic exploitation of the natural wealth of the new countries *ipso facto* increases their purchasing power. If through lack of labour we are obliged to raise the prices of foodstuffs and raw materials, this inevitably means a rise in the price of manufactured goods in agricultural countries. This obliges us to reduce our orders, and, as a consequence, our own productive capacity has to be restricted. It would therefore be an excellent thing if the surplus populations concentrated in the towns could return to the land.

The economic situation of the world would undoubtedly be eased if agricultural production were increased. Economic interdependence is impelling us towards international solidarity in this field.

The first point to be considered is the human problem; wealth must come second. The distribution of labour-power on sounder lines will undoubtedly mean increased production, that is, wealth, and will hasten the establishment of equilibrium as between the various economic forces.

SEVENTH MEETING

Held on Saturday, May 7th, 1927, at 10 a.m.

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GENERAL DISCUSSION (*continuation*).

Speeches by Sadek Henein Pasha (Egypt), Count Hadik (Hungary), Dr. Hermes (Germany), and M. Sokolnikoff (U.S.S.R.).

President : M. Georges THEUNIS.

GENERAL DISCUSSION (*continuation*).

The President :

Translation : I call upon Sadek Henein Pasha (Egypt) to address the Conference.

Sadek Henein Pasha (Egypt) :

Translation : Egypt, which hopes to be admitted in the near future to membership of the League of Nations, is highly gratified to find herself called upon to-day to play a part in one of the most important of the League's spheres of activity. My country was particularly glad to respond to the invitation to send delegates to this Conference because her peculiar economic situation offers the Conference an excellent opportunity of correcting, or at least helping to correct, an anomaly of an international character which is seriously impeding the establishment of a well-balanced and rational economic policy, and moreover contains the seed of international discord. If the present state of affairs continues, it will not only prevent the natural and normal economic development of my country, but will react prejudicially on her foreign trade and therefore on the countries with which she trades ; and it is bound ultimately to affect to an increasing degree the position of foreigners living in Egypt and the foreign capital invested there.

The *de facto* situation in Egypt is such that the Egyptian Government is obliged to seek and obtain the preliminary consent — which in practice, of course, has to be unanimous — of some dozen foreign Powers before it can impose direct taxation on the nationals of those Powers. This restriction has, as it were, paralysed the fiscal activities of the Egyptian Government, and has thereby done serious harm to the economic life of the country.

There is in Egypt to-day a category of foreigners who have in practice come to enjoy a certain degree of immunity from direct taxation, except the taxes on land and house property, while alongside this class there is a second category of foreigners liable to whatever taxation the Egyptian Government may impose on its own nationals.

It is clear that in these circumstances no Government, unless under the stress of dire necessity, could contemplate the introduction of taxation not applicable to all those who reside within the borders of its territory. The result of this anomalous situation is that Egypt has been and is still obliged to rely for the greater part of her revenues on indirect taxation — in the main, on import and export duties.

I need not develop before you the unsatisfactory results of such a fiscal system. The distribution of taxation is uneven and inequitable as between rich and poor, and bears more hardly on the latter. To obtain adequate revenues Egypt has at present

no option but to tax the common necessities of life — the food and clothing of the masses, the instruments of production : machinery, fuel and raw materials. Egypt is obliged to maintain in force export duties on her agricultural and industrial products.

Her inability to obtain revenue by means of some of the forms of direct taxation which are practically universal elsewhere might tempt Egypt, for example, to exploit her railways in the interest of the State revenues and to the detriment of legitimate trade. The present system lacks the elasticity and the broad basis which are the indispensable conditions of a sound national economic policy.

The stunted growth of Egypt's economic life, due to the defective fiscal system, also affects the countries whose goods she buys. In so far as her purchasing power is less than it would be under healthier fiscal conditions, Egypt is a poorer customer than she ought to be. I need not tell this Conference how economic development is retarded by a bad system of taxation, or how much the prosperity of a country depends on a sound fiscal regime. Nor need I tell you how other countries benefit by an increase in purchasing power due to healthy economic conditions in a country with which they trade. I venture to say, therefore, that the removal of the fiscal restrictions at present retarding Egypt's economic development is a matter of international importance owing to its influence on international economic prosperity.

It is not my intention to paint too gloomy a picture of the past evil effects of a fiscal system which lacks elasticity, entails injustice and hampers economic growth. Egypt, it is true, has had to depend too largely on indirect taxation for her revenues, but, in so far as these taxes have not been and are not unduly burdensome, the inherent evils of the system have to that extent been mitigated. To-day, however, the situation is becoming dangerous. Costly public schemes are in contemplation and have in fact already been embarked upon. The extension and improvement of the land under cultivation entails the construction of large public works — barrages and drainage and irrigation schemes — which will ultimately be highly productive but are costly to undertake and maintain.

Education stands in dire and urgent need of development, particularly among the masses of the people, who unfortunately are still largely illiterate. In this connection it is sad to reflect that the entire sum spent by Egypt on her fourteen million inhabitants is barely equal to a quarter of the education budget of the city of London. The housing and public health problems are no less urgent, in view of the deplorable conditions prevailing in regard to the housing of workpeople both in towns and in rural areas. Infantile mortality is unduly high, ophthalmia is still widely prevalent, and various diseases affecting the field labourer, such as bilharziosis and ankylostomiasis, call for a wide extension of the present public health programme.

Public opinion demands, and the public interest requires, that these programmes should be carried into effect.

The material, moral and intellectual needs of the Egyptian people are at stake. More rapid progress in these fields might have been made in the past had the fiscal system permitted the raising of the necessary revenues. Given better education and better public health conditions, a continuous improvement in the standard of living among the peasant and labouring classes may be looked for, with certain benefit to the economic productivity of the country in general.

But where is the money to be found for these costly schemes? Will it be necessary to make frequent changes in the Customs tariffs to meet budgetary needs? The economic objections to such a policy are obvious, and any fiscal system which relies too much on that form of revenue stands condemned.

There is an alternative, which, though theoretically possible, would be intolerable in practice, namely, the imposition of direct taxes on Egyptian nationals and on those foreigners not enjoying exemption under the present *de facto* situation. Neither the Egyptians themselves nor those foreigners who do not enjoy exemption could possibly accept such a situation without strong and justifiable protests, and such a step would embitter both private and business relations between Egyptians and the foreign residents paying taxes on the one hand and, on the other, the foreign residents enjoying exemption. Moreover, the commercial relations of Egypt with other countries could not but be detrimentally affected by the intolerable situation thus created, and the economic peace of the world would thereby be jeopardised.

This can only be avoided by the removal of the present restrictions, thereby permitting the introduction of a fiscal regime which not only ensures reasonable equality in the distribution of the tax burden among the various classes of the community from the point of view of their taxable capacity, but also excludes any fiscal discrimination between one section of the community and another.

In its admirable report on the removal of trade barriers, the International Chamber of Commerce recommends the adoption of measures designed to enable foreigners to exercise a profession, trade or industry on an equal footing with nationals. This Conference will, I am sure, be glad to learn that the object which the International Chamber of Commerce so earnestly endeavours to attain in European and other countries is already an accomplished fact in Egypt, where no restriction or impediment is placed in the way of foreign brains, foreign initiative or foreign capital. The Egyptian people have invariably been glad to extend the most hospitable reception to cultured foreigners who choose to make Egypt the field of their economic activities. Is it too much to ask, in the interests of the continuation of this successful collaboration and of the maintenance of world peace, that no fiscal discrimination should be made between foreigners and Egyptians or between one foreigner and another? Could any demand be more modest, more logical, more in conformity with sound public finance and sound economics? The economic experts assembled here from the four quarters of the globe to promote peace among the nations by setting the economic conditions of the world on a better and more rational footing may be surprised to find that a factor so essential for the establishment of a rational economic equilibrium should be lacking in Egypt, or that we should have at this time of day to plead a cause on which no two economic experts can hold different opinions.

In presenting this purely economic problem on my country's behalf to a World Economic Conference, I feel I am necessarily preaching to the

converted; and I am therefore confident that, if Egypt takes suitable measures to bring about the formal removal of her fiscal disability, she will be acting in full accord with the views of the present Conference and will be taking a step towards the attainment of the supreme aim — universal peace and prosperity — to which the League of Nations is so nobly directing all its endeavours.

The President :

Translation : Count Hadik (Hungary) will address the Conference.

Count Hadik (Hungary) :

Translation : Mr. President, ladies and gentlemen — I am very glad to have an opportunity of acquainting this Conference, which comprises the most distinguished authorities in the economic world, with the economic situation of Hungary viewed from the international standpoint.

In conformity with our President's desires, and being anxious to avoid exceeding the limits fixed by the Rules of Procedure, I will simply give you an extract from my statement, the full text of which will be distributed to you later.

The post-war situation has been complicated not only by the economic provisions of the Treaties of Peace but also, and more particularly, by the disintegration of former economic units. This applies to the East as well as to the centre of Europe. The former Kingdom of Hungary was a model economic unit, and this unit has been completely dismembered.

It was this dismemberment, carried out for political reasons, which was mainly responsible for the disturbance of equilibrium.

When the new order was introduced in Europe economic considerations were disregarded, and as a result certain States adopted measures which were not in keeping with the requirements of normal economic life. Certain countries hermetically sealed their frontiers for years, and freedom of trade has been superseded by an extreme system of prohibition.

Another factor which has largely helped to bring about the present situation is the marked tendency towards autarchy, which destroys the old economic links and seeks to meet the needs of each country exclusively from home production.

The policy of isolation eventually led to an intolerable situation, and the Conference of Porto Rose was held to seek for remedies. At this Conference Hungary took her stand resolutely on the side of freedom of trade, and since then has proved faithful to her principles by abolishing import and export prohibitions. Moreover, Hungary does not employ any indirect means to prevent trade.

But what is happening elsewhere?

Other States, and particularly most of the Succession States of the former Austro-Hungarian Empire, still maintain their import and export prohibitions, apply the quota system to many categories of goods, and employ the most subtle means to prevent Hungary from exporting her products.

In the case of Austria, for example, there are some seventy categories of goods enumerated in the Customs tariff which cannot be imported into that country until special authorisation has been obtained. These goods include the principal articles exported from Hungary.

Czechoslovakia no longer maintains a general prohibition on imports. She allows the free entry of a

large number of articles. But this list, again, does not include the principal Hungarian exports.

In addition to prohibitions, States possess a whole armoury of weapons besides their Customs tariffs for hindering the importation into their territory of articles which Hungary exports. Among these we may mention the veterinary regulations, which restrict or prevent the entry of livestock or products of animal origin, and the extremely severe veterinary regulations governing the inspection of meat. Even before the war, and constantly after the war (that is to say, before the system of prohibitions was established), it was found possible by this method to render the exportation of our agricultural products very difficult, and indeed to prevent it altogether.

Another factor, quite independent of the high scale of Customs duties, namely, the "margin" between the various import duties levied on the same article at various stages of manufacture, produces a similar effect. This factor vitally affects the principal Hungarian exports, such as flour

The increase of duties on home consumption is also a very effective means of preventing trade. I may quote, as an example, the Polish treatment of wine, one of the main articles Hungary exports. After the conclusion of the tariff agreement with Poland, Hungary thought she would be able to export sufficient wine to meet the needs of the Polish market. When the agreement was signed, however, Poland considerably increased the consumption duty on wines. The agreement laid down, of course, that the taxes would be levied on home products as well as on imported products; but as Poland herself produces no wine, the internal consumption duty is tantamount to a Customs duty, and the actual result has been that, notwithstanding the agreement, Hungary is unable to export her wines to Poland.

Of course, we are well aware that the economic crisis is not confined to the vanquished States. By reason of the indirect ties which have always existed, and still exist, between the various economic areas, no country is a self-contained unit. On the contrary, economic troubles in one country may provoke a crisis throughout Europe. The consequence of this critical situation in Europe is, as we see, that Europe no longer plays her erstwhile leading part in the economic affairs of the world.

Though I consider it necessary to abolish all hindrances to trade which have arisen during the war or in the post-war period, I cannot subscribe to the principle of free trade, which would render all protection of national production illusory. Those who argue that one of the principal causes of the European economic depression lies in excessive protectionism blame Hungary for having established unduly high autonomous tariffs.

In reply to this charge I should like to offer certain observations. Numerous attempts have recently been made to compare the level of Customs barriers on the basis of a Customs index. In the Layton-Rist report an attempt was made to classify consuming States from the point of view of Austrian exports. The "Customs map" constructed by Sir Clive Morrison-Bell is an attempt to illustrate by the height of the tariff wall — that is to say, by a figure — the Customs policy of each State.

Recently the Economic and Financial Section of the Secretariat of the League told us, in its Memorandum C.E.C.P. 44 (provisional), of the methods which could be employed to form a basis for the establishment of a Customs index, and published the results of its preliminary work, carried out on the basis of two and three methods respectively.

We have examined these calculations in detail, and have come to the conclusion that Customs averages or indices are wholly fallacious. The economic or Customs policy of a country is so complex a phenomenon that it cannot be adequately represented in figures. We are strengthened in this conviction by the fact that, on each occasion when such calculations have been published, different results have been reached. That is only natural, for the structure of Customs tariffs varies from one State to another; the principles on which the individual categories are drawn up, and the details they contain, are different in every tariff; it is therefore impossible to adopt any single principle for purposes of comparison. Apart from the inherent difficulty of making calculations, even those duties which are easy to compare or are practically identical differ widely in importance according to the State applying them. The same duty may be prohibitive in one State and not in another. They would not be so, for example, in a State which does not produce the goods in question. The height, in figures, of the Customs barrier — supposing that such figures can be calculated — does not, therefore, give any indication of the degree of protection employed.

Obviously, then, such figures entirely fail to reveal the extraordinary difficulties encountered by exporting agrarian States, such as Hungary and others in the same position. The export trade in agricultural products is far more sensitive to the effect of Customs measures than that in industrial products, and a very slight obstacle is sufficient to impede it. I may quote as an example the difficulties encountered in connection with the exportation of Hungarian flour.

In the light of these considerations, therefore, I take the view that any attempt to indicate the tariff level by a single figure is doomed to failure. It is an elementary mathematical truth that only things of the same kind can be compared with one another. Moreover, most States referred to in the tables still apply import and export restrictions which have long been abolished in Hungary. Neither the figures shown in the League tables nor any others can show obstacles of this kind.

I do not wish to enter into a maze of details — I have set down my observations on this subject in a special memorandum.

Lastly, may I venture to ask what is the use of all this work? It will not settle the age-long controversy between free-traders and protectionists, and, in view of what I have pointed out above, these tables are useless even to classify with any accuracy the various degrees of protection applied in the different countries.

At the present juncture the Economic Conference ought to concern itself mainly with the problem of methods.

Memorandum C.E.I. 37, which constitutes a second and revised edition of Document C.E.C.P. 44, to which I have already referred; has only just been published, and consequently we shall not be able to give our opinion on this new edition until the Committees meet.

May I now turn to the main aspects of my country's commercial policy? I assure you I have no desire to emphasise all the differences of opinion which exist between the various States or to refer to the political motives which underlie their economic policies. But I feel I am serving the common cause by acquainting you, in a purely objective manner and citing nothing but material facts, with the Customs policy hitherto followed by Hungary.

As soon as Hungary had established her autonomous Customs tariff, she entered into Customs negotiations both with her neighbours

and with other countries. These negotiations led to commercial treaties with Austria, Poland, Italy, France, Spain, Greece, Turkey and Czechoslovakia. In point of fact, I have just received a telegram stating that the treaty with Czechoslovakia has been signed.

If we examine these treaties, we find that many items in the new Hungarian tariff, some industrial, others agricultural, have been greatly reduced. The fact that the reductions apply to agricultural products also calls for special note, for Hungary might very naturally have refused to compromise in the matter of agricultural protection until she received assurances, in the form of conventions, of an outlet for her surplus agricultural produce. Generally speaking, the reductions on manufactured goods vary from 15 to 40 per cent. The duties levied on agricultural produce have also been considerably decreased.

Since the dismemberment of the Austro-Hungarian Monarchy, Austria and Czechoslovakia — two of the countries which were carved out of that Monarchy — have never lost any opportunity of repeating that the economic policy of Hungary is one of the sources of their economic difficulties. They have particularly emphasised the obstacles placed in the way of their trade by the Hungarian protectionist Customs policy, and they have striven to prove on various, but erroneous, grounds that there is a great difference between Hungary's new Customs tariff and the old tariff in force in Austria-Hungary.

Yet at the same time they were already preparing fresh changes, unfavourable to Hungary, in their own tariffs. In Austria, two laws have already been adopted, and one has been drafted, increasing all the duties levied on our agricultural exports.

Under her Customs Law of 1926, Czechoslovakia established minimum Customs duties, which cannot be reduced in any circumstances, even in the case of commercial treaties. The tariff contains items which hit Hungarian exports very hard. In the matter of flour the duty is prohibitive.

If you will kindly refer to the full text of my statement, you will see figures showing what sacrifices Hungary has made in concluding the tariff treaties to which I have referred.

Hungary's economic policy will be seen in a particularly favourable light if we consider the development of her trade. In 1923, imports amounted to 423 million gold crowns; in 1926, to 821 millions. Exports increased from 388 million gold crowns in 1923 to 750 millions in 1926.

Can Hungary be accused of arming herself with a protectionist policy when her imports have reached so high a figure?

The inadequate development of her exports and — particularly in recent times — their diminution in comparison with imports constitute an absolute refutation of the charge that Hungary is pursuing a policy of excessive protectionism. On the contrary, it is a proof that other States are practising a policy of economic isolation against her.

The havoc wrought in the economic life of Europe by the war and the events which followed would quickly be revealed by a study of the economic situation of the States which were formed through the dismemberment of the old Austro-Hungarian Monarchy. That would be a subject well worthy for consideration by this Conference.

I will not go into details, but I trust that the above considerations will at least give food for thought.

I have endeavoured to give certain explanations of the economic decline of Europe, and I now venture to indicate the methods which, in my opinion, would lead to a revival.

All Europe must recognise the fact that no State can forego the protection of its own products. In place of the policy of isolation and division based on political considerations we must establish the principle of solidarity.

The first condition necessary to restore a normal economic situation is to solve the currency problem once and for all in every country of Europe; while, side by side with this, provision must be made for the free circulation of currency, credits and capital.

The system of commercial treaties should be completed, and the most-favoured-nation principle should be applied everywhere.

If we are to make a serious effort to achieve the economic reconstruction of Europe, another desideratum connected with commercial treaties must be fulfilled. We must return to the system of long-term treaties which was current before the war. The present system of commercial treaties valid for one or two years has introduced an element of extreme uncertainty in economic life, and only serves to further the interests of speculators.

Prohibitions and restrictions should be abolished.

Unless the hindrances of a legal nature which so greatly add to the difficulties of travel are abolished, trade can never develop. Moreover, no transport policy should be allowed to continue which vitiates the effects of commercial treaties.

I fully appreciate the very great importance of industrial problems. But it is in the interests of industry itself — quite apart from the economic and social benefits which would accrue — that the condition of agriculture in Europe should be remedied.

In this connection, I also venture to refer to the question of cartels, more particularly because there is now a tendency, both in theory and in practice, to regard the formation of international cartels as a means of putting an end to the policy of economic isolation and the disputes to which it gives rise.

It is beyond question that at the present time cartels form part and parcel of the organisation of economic life. It may even be agreed that by such international agreements the feverish competition between the industries of the various countries may be mitigated and systematic methods may to a certain extent be introduced in supplying the various markets.

Nevertheless, we cannot close our eyes to the dangers which in this direction threaten consumers and agriculturists alike. There can be no objection to the establishment of cartels to regularise output in certain countries — with due allowance for the special interests of each — and to apply methods calculated to increase industrial output and thus bring about a fall in prices.

But public opinion should be placed on its guard against any organisation inimical to the interests of the consumer.

I think you will all agree that, important though it may be to protect industrial capital and labour, it is also of vital importance to Europe to safeguard the interests of agricultural production, of the capital invested in rural property, and of the populations which live by agriculture.

If we examine carefully the present situation we can see in every direction signs of a struggle between national production and world economy. Yet I do not think these interests are necessarily opposed. I am firmly convinced that, by developing the economic potentialities of all countries, we shall increase the economic potentialities of the world. The only reservation to be made is that whatever is done must be inspired by economic considerations, and by economic considerations alone. The right way

is, therefore, to establish complete harmony between the interests of national production and those of world economy. Unsound methods are bound to lead to danger. They cannot last; economic laws must prevail.

I venture to think that the views I have expressed, in my desire to help to rescue Europe from her present parlous economic situation, may be found of some use.

Nevertheless, it would certainly be a mistake to suppose that economic measures alone can bring about the improvement in the situation which we all desire.

I do not wish to talk politics, and in any case that is a subject which lies outside the scope of this Conference. But in view of the great importance of our work it is essential at the outset to produce an atmosphere of calm; it is the only possible foundation of success. And we shall attain this end only by abolishing the great injustices which still exist.

The President :

Translation : I call upon Dr. Hermes (Germany) to address the Conference.

Dr. Hermes (Germany) :

Translation from the German : A most satisfactory feature of the general discussion is the emphasis placed by a number of speakers at this Conference on the importance of agriculture in world economy and its close connection with other branches and with industry in particular. In fact, at a Conference which aims at finding a remedy for worldwide economic ills, too much emphasis cannot be laid upon the necessity of definitely including agriculture in any scheme of reconstruction.

The greater part of the world's population lives by agriculture, and the value of the annual output in the case of certain agricultural products is considerably higher than for a number of industrial products. For example, according to the figures given by the Reich Statistical Office for 1924, the value of the world's wheat production was roughly 19½ milliard marks, that is approximately 2½ milliards more than that of the coal production. The petroleum figures for the same year were less than one-third of those for wheat, while the figures for cotton in 1924 were as high as those for iron and copper together.

Of the total world trade for 1924, at least one-third is probably accounted for by agricultural products and agricultural raw materials.

In the main, world trade is primarily an exchange of agricultural and mineral products on the one hand and industrial products and accumulated capital on the other. The exchange of industrial products *inter se* is undoubtedly an important element, but it cannot alter the main trend of import and export trade.

Despite the importance of agriculture in world economy, the view is widely held that agriculture is not affected, or is only slightly affected, by the world economic crisis, and this may perhaps be due mainly to the fact that the effects of the crisis are most apparent in the industrial sphere. The enormous industrial unemployment which has resulted represents a most serious burden for the classes concerned, and constitutes at the same time a heavy responsibility for the whole community.

This limited view, however, fails to take into account the fact that agriculture and the agricultural population are suffering to an equal extent from the general situation, even if their sufferings are less obvious. In agriculture, too, we are still in the throes of a crisis.

The present crisis differs essentially from previous ones. During the period 1875 to 1900, the extraordinarily keen competition of the United States, the Argentine, Russia and other countries forced down European wheat prices and thus provoked a serious crisis in European agriculture. This agrarian crisis subsided at the close of the nineteenth century, when the great tide of immigration into the United States began to ebb, and that country developed with extraordinary rapidity into a huge industrial producer and came to consume more and more of its own harvest.

The countries around the Black Sea — particularly Russia and Roumania — now led the way among the wheat-exporting areas of the world. Canada began rapidly to increase her wheat exports, and the Argentine took the lead among the meat-exporting countries. The East Indies and Australia also exported more, though the quantities were relatively smaller. But the united efforts of all these countries could not meet the requirements of the rapidly increasing industrial population merely by an "extensive" process, that is through the opening up of new land. The increasing demand necessitated an increase in the yield per agricultural unit. Corn and meat prices rose, resulting in a return to a normal course of prices, which had been hindered for a quarter of a century by entirely exceptional circumstances. That is to say that agricultural prices kept ahead of industrial prices.

This tendency, which had been operating for centuries, is due in essence to the law of diminishing returns in agriculture. Other conditions being equal, the yield from a given unit of land can only be increased by an expenditure of capital and labour proportionately higher than the increase in yield. The increased exchange value of the agricultural produce does not, however, imply any falling off in the standard of living of the industrial population, for there is hardly any limit to technical progress as regards industrial methods, and it is for industry to supply the means of production and the principal goods required by agriculture so cheaply that more intensive cultivation can proceed without any increase in the prices of agricultural products. This was the state of affairs before the war, and this was the basis of the uniform and marked improvement in general prosperity which then took place.

The war suddenly interrupted this process. War market conditions, with the big rise in prices and increase in production in overseas territories, suddenly came to an end in 1920, when various European countries could no longer pay for their heavy imports of foodstuffs owing to the stoppage of credits from the United States.

There then occurred a grave agricultural crisis which led to serious distress among all farmers throughout the world, the producers of bread cereals and meat — the main articles of food of the European industrial population — since the prices of agricultural products fell much lower than those of industrial products. This gave rise to the so-called "scissors", that is, the disparity between agricultural and industrial prices. The costs of agricultural production could no longer be met.

The determining factor in this drop was not over-production but in the main the impoverishment and reduced purchasing power of large sections of the European population, and more particularly of the industrial population.

The situation improved in 1924, when, on the conclusion of the London Agreement, ample credits came from the United States to Europe — especially to Germany — and led to an increase in industrial production, the credits being used mainly for wages and salaries. In this way

purchasing power and consumption were greatly increased. Herein lies the real explanation of the fact that, after the middle of 1924, the difference between the agricultural and industrial prices became less on the international markets and in some cases disappeared altogether.

There is still a marked depression; the price-level cannot yet be regarded as normal. The exchange value of agricultural produce, as compared with the pre-war period, has only increased, generally speaking, in the case of artificial fertilisers. In some countries the old exchange value has been practically reached in the case of tools and machinery. But the principal articles consumed by the agricultural population are everywhere much dearer than before the war, in comparison with agricultural prices.

With reference to the observation which M. Sonne, in his admirable speech, made on the Paris declaration on agriculture, I venture to point out that, since it is still, as a rule, found difficult to obtain prices for agricultural products which even cover the cost of production, it can hardly be claimed that there is a widespread practice of artificially raising the prices of agricultural products. According to the findings of the National Industrial Conference in 1926, the price-level should also be regarded as one of the causes of the growing "inequality and maladjustment" as between agriculture and other economic branches in America.

European agriculture, however, is in a much more difficult position, because not only must it work under much the same unfavourable price conditions as those obtaining in overseas countries, but it is also suffering from the evil which afflicts European industry, namely, grave impoverishment. The signs of European poverty are: (1) the insufficient income of European workers (in Germany it is only just sufficient to cover the cost of living); (2) the army of unemployed, which in Europe comprises 20 million persons (including dependents); (3) the increased cost of money; and (4) heavy taxation.

The root of the evil lies in the tremendous "structural" changes resulting from the war; among others, the decrease in the economic productivity of Eastern Europe, where the flow of imports and exports almost entirely ceased, the economic disintegration of Central Europe, and the excessively heavy burden of unproductive expenditure.

Germany, in point of fact, has suffered more than any other country from the severance of the old economic relations with other countries, and the great drop in her trade with Russia has been particularly detrimental to the economic position of both countries. For that reason we are very glad to have Russian delegates with us at this Conference, and particularly so because there will be a special section of the Conference to discuss in detail agricultural problems, which play so important a part in the economic life of Russia.

The result is that both European agriculture and European industry are weighed down by heavy taxation and interest charges. In short, certain essential conditions for the restoration of prosperity are lacking. The building up of capital in the Continental countries is proceeding very slowly, and any increase in agricultural production, which, from the technical point of view, could still be much increased, is beset by tremendous difficulties.

A permanent increase in agricultural production is also in the interest of consumers. Even in highly developed countries the population spends most of its income on food. In Great Britain, for example, as the result of the enquiry in 1925 into the price

of foodstuffs, it was estimated that during the pre-war period about 50 per cent and during the post-war period approximately 60 per cent of the total income was spent on food. The percentage is naturally much higher in the case of countries whose standard of housing and clothing is lower than in Great Britain. Nor is there likely to be any very considerable change in the near future.

The world economic equilibrium was disturbed by the war and its consequences, and can only be restored by increasing the general purchasing power of nations and not only regaining but even exceeding the pre-war level, in order that consumption may balance the increase in industrial products. This again depends essentially upon the purchasing power of the entire agricultural population — employers and workers — because in every country they form an important part, and in most countries the greater part, of the consumers.

The part thus played by agriculture in national economy is quite consistent with the necessity of giving agricultural production its proper place in international exchanges. In the declaration by the International Agricultural Committee mentioned by M. Sonne, this possibility of exchanges was expressly recognised as constituting the basis of a sound economic world policy. The Paris declaration, therefore, contains no such omission as that to which M. Sonne refers.

The more a country depends for the sale of its industrial products on foreign markets, which have no organic connection with its own economic system, the more risk will there be of a disturbance of the equilibrium. Past experience shows that this is often the chief cause underlying international disputes. When agriculture is flourishing and its purchasing power is high, it can, by absorbing a greater proportion of the industrial products of its own country, reduce the surplus to be placed on the world market, and thus relieve the latter. It will also be for agriculture to assist in the solution of the unemployment problem, especially as the rationalisation of industry may be attended, at all events temporarily, by an increase in unemployment.

The efforts of industry to improve methods of production, to open up new markets, and to regulate sales may mitigate the severity of the crisis, but they do not in themselves constitute a remedy. Joint effort and close co-operation between industry and agriculture are essential. Industry, however great its power of expansion, can never exceed the limits imposed on the one hand by the demand for its products and on the other by the power of agriculture to supply it with foodstuffs and raw materials.

The relations which thus exist *inter se* between the various branches of national and international trade make it incumbent on all countries to co-operate in finding a remedy for the world economic crisis. The means to this end may be discovered by determining the real facts of the situation, and this must be the first duty of the Conference. Real improvement will only become possible when international relations are re-established on a normal basis and a basis permanently acceptable to all parties. This presupposes a recognition of the fact that the common interest outweighs individual interests, varied as these may be, and demands that all the nations engaged in world trade shall take steps to eliminate the fundamental and universal causes of the present decline. It seems to me that the main object of our Conference should be to bring about a wider recognition of this principle and to prepare for its practical application. It was deemed advisable to divide up the agenda of the Conference into three main sections — trade, industry and agriculture — but the Conference must not overlook the fact that division

of labour is only an expression of methodical co-operation. Perhaps never before has the success of any work been so definitely dependent on the proper synthesis and condensation of the parts into one whole as is the case at this Conference.

In particular, I should like to express our sincere thanks to the President for the sympathy which he has shown, since the beginning, for the problems affecting agriculture.

The President :

Translation : M. Sokolnikoff (U.S.S.R.) will address the Conference.

M. Sokolnikoff (U.S.S.R.) :

Translation : The vital importance of present economic conditions and the possibilities of further economic development in the Soviet Union, from the point of view of European and non-European countries, is universally recognised.

All attempts to deal with questions of world economy on a large scale have invariably led back, during the last few years, to a discussion of the so-called "Russian problem".

The efforts of international conferences to estimate the possibilities of future development in the Soviet Union have hitherto proved unsuccessful. It may be of interest to note that, five years ago, at Genoa and at The Hague, the leading statesmen of Europe predicted the complete collapse of the socialist organisation instituted by the Soviet Union. As you may remember, they said that the only possible means of recovery for the Soviet Union was to submit to the general control of the international capitalist consortiums.

These pessimistic prophecies were based upon the tremendous difficulties which the Soviet Republics were actually experiencing. There was no justification, however, for pointing to socialist principles as their cause. In reality, all these difficulties and all this distress were entirely due to the damage suffered by the Soviet Republics as the result, first, of the world war and, secondly of armed intervention for so many years afterwards.

While peace began for Europe in 1918, the war period did not end, as far as the Soviet Republics were concerned, until 1920.

Directly peace was established, the Soviet Government and the working masses energetically set about the task of economic reconstruction, which they carried to a successful issue despite the unforeseen obstacle of a bad harvest in 1921, which led to further disaster and fresh difficulties.

The principles of organisation adopted by the State and the general economic system of the country as a whole enabled the nation's productive power to be utilised to the full, and this alone explains how the Union succeeded in a comparatively short time in regaining, and in many cases exceeding, its pre-war economic level. Whereas, in other countries, economic restoration was brought about with the active, though by no means disinterested support of richer and economically stronger States, the Soviet Republics were obliged to repair their economic system almost entirely by their own efforts. Further, they were developing and working in an atmosphere of mistrust, animosity and active opposition. I might remind you that, during the most disastrous years — the years of the blockade and outside intervention — the industrial output of the Union of Socialist and Soviet Republics dropped to 18 per cent, and the agricultural output to 52 per cent of the pre-war figures.

These figures appear almost incredible, so far have Soviet economic conditions progressed since that already distant past. The dark prophecies

made at the Genoa and Hague Conferences, which emanated from those very circles that had been responsible for armed intervention against the Soviet Union and had systematically supported the restoration of the old regime, may now be regarded as utterly disproved, and serve to show what little foundation exists for the view that the U.S.S.R. is likely to prove an economic failure. Such prophecies are based largely on a misapprehension of the actual facts. We imagine that it will be of real value to the members of this International Economic Conference to learn what the situation in the Soviet Union really is.

This Conference is the outcome of a realisation of the fact that new methods are required to overcome the difficulties now being encountered by the chief capitalist countries, and of the further incontrovertible fact that one of these methods is to tighten up economic relations with the Soviet Republics, which possess immense and still unexplored wealth in the form of raw materials, a rapidly developing industrial system and a very considerable agricultural output, which after the Revolution emerged at last from its mediæval stagnation.

The present state of industry in the U.S.S.R. may be gauged by the value of the total output. The figures have been calculated on the basis of prices in 1913, in order to admit of comparison with pre-war figures. In 1913, the value of the total industrial output was seven milliard roubles; in 1925-26, it was seven milliard three hundred and sixty million; and for the current year (1926-27) it will be over eight milliard roubles. If this year's programmes are carried out, the total Soviet industrial output should reach eight milliard four hundred and fifty million roubles. This increase in output has been accompanied by the extensive investment of capital in industry, electrification and the construction of urban dwellings.

Such investments amounted in 1925-26 to 1,250 million roubles and in 1926-27 to 1,400 million roubles. They were intended for the reconstitution of capital, by means of amortisation on a big scale, and also for increasing capital which found partial expression in the establishment of a large number of new factories and the re-equipment and enlargement of existing industrial concerns.

The renewal of technical equipment and the reorganisation of industry form part of the process of productive investment in the Soviet Union. The total capital invested in Soviet national undertakings in 1925-26 was 2,250 million roubles, and in 1926-27, according to estimates, it will be 3,120 million roubles. This process of investment is taking place in many State undertakings (industry, transport, municipal economy, etc.) and also in co-operative and private undertakings. Private investment exists on a considerable scale, especially in agriculture, where the predominating form of tenure is, and no doubt will be for many years, that of small private holdings. In 1925-26, the productive investments in private property amounted to more than 800 million roubles and by the end of 1926-27 will total about one milliard roubles. It is the permanent economic policy of the U.S.S.R. to support this system of productive investment. The economic reconstruction of the Soviet Union is now being and will in future be carried out upon this basis.

This work of reconstruction means a great development in industry (more particularly heavy industry), founded upon a corresponding development in agriculture. The workers and the peasants in the country districts, who direct the Soviet economic policy, have expressed their firm intention of changing with the least possible delay the pre-eminently agrarian character of the Soviet

economic system and the out-of-date industrial methods which form an unwelcome heritage from the pre-revolutionary regime. As the industrial and agricultural output increase and the organisation of each individual undertaking and of the economic system in general improves, the Union will have correspondingly greater means of extending and restoring the different industrial branches, in accordance with the latest technical developments, more particularly in branches such as metallurgy, engineering, mining and petroleum, which play a decisive rôle. The Union's economic schemes are obviously immense and difficult of achievement, and we readily concede in advance that we may have to be prepared for partial failure in one direction or another. At the same time the ultimate success of the enormous work of national economic reconstruction undertaken by the Soviet Government is a foregone conclusion.

The following are the practical economic methods now current in the Soviet Union :

I. The programmes of work of the individual undertakings and of the different branches of production are brought into line with one another by the Union's economic organs ; this means that liaison and the control of the various national economic elements which, in capitalist countries, are left to chance until a crisis occurs to correct them, are governed in the Soviet Union by economic plans designed in the general interests of the nation as a whole.

These general economic plans are based, in principle, on : (1) the Union budget, which, unlike the budgets of other countries, includes large credits designed to support and promote the expansion of numerous branches of production ; (2) a scheme of capital investment in industry, fixing time-limits for the execution of the work, and resulting in an increase in industry, which is regarded as the pivot of the whole economic system ; (3) a correlated import and export scheme establishing a programme for foreign purchases and sales ; (4) a scheme for the purchase of cereals for internal consumption and export ; and (5) a scheme of credits, correlating industrial and commercial activities and monetary circulation and guaranteeing the stability of the currency.

In view of the importance of long-term capital investments, the Soviet Union is at present working out a scheme to cover the next five years, in addition to the annual programmes. This means co-ordinating the various economic branches on a five-year plan. The principles underlying the Soviet economic schemes are as follows : (1) the maximum development of potential productive forces ; (2) rapid and continuous measures in pursuit of this object, avoiding crises and retrograde movements ; (3) the development of productive forces, with a maximum guarantee of real prosperity for town workers and peasants ; (4) the development of potential productivity in a form calculated to promote the extension of the socialist organisation ; and (5) the preservation of dynamic equilibrium in the whole economic system on the basis of a proper co-ordination of the interests of urban and rural districts, the interests of the central regions and of the outlying regions inhabited by national minorities, the interests of industry and agriculture, and of the various branches of industry, etc. The realisation of a systematic economic scheme such as this is practicable in the Soviet Union, since the power is in the hands of the working classes, who are careful to safeguard their political and economic alliance with the enormous working masses of the peasants, who are carrying out a policy which condemns the oppression of any nationality, who have abolished every suspicion

of national privileges, and who guarantee the workers of every language and every race unlimited possibilities for the development of their cultural and economic resources.

II. Secondly, we find economic activity in every branch, the Soviet Union keeping in close touch throughout with science. Science is a most important factor in the rationalisation of the whole economic system and assists in increasing and improving production with the minimum expenditure of human effort. The Soviet Republic is making great sacrifices in order to maintain this close connection between practice and theory and proposes to emphasise this scientific aspect more and more in every branch of production.

The first institute of chemical research was founded as far back as 1918, and there are now thirty-one such institutes, all under the direction of the technico-scientific section of the Supreme Council for National Economy. Five new institutes have been founded for the textile and metallurgical industries, etc. Special mention should be made of the Geological Committee, whose work has been productive of excellent results in the study of the resources of the subsoil. Quite recently, in the Perm region, beds rich in potassium salts were found — a discovery which opens up fresh possibilities of agricultural development.

III. Every encouragement is given to the active participation of the urban workers and the peasants in the work of economic reconstruction and to the initiative of the workers in the matter of industrial improvements. Such initiative is particularly important as a factor in progress, as the working classes realise that the management of industry is in their hands. Apart from the influence thus exercised by the various occupational unions in the matter of economic reconstruction, defects and proposals for the improvement of existing methods and technique, come up for criticism at regular conferences, which are open to all the workers in any given undertaking. The organisation of communal administration in the villages has in its turn stimulated initiative in the rural populations, which have devoted themselves energetically to the work of improving agriculture and its subsidiary industries. The active participation of the workers in the task of economic reconstruction is now possible, owing to the improvement in their education and standard of living. The Revolution improved material conditions for the peasants by doing away once and for all with the farming of the land by the gentry. In the towns, real wages have risen on an average 10 per cent as compared with the pre-war level. The increase has been most marked in those branches where wages were lowest before the Revolution.

In the case of industry and transport, where the immediate control is in the hands of the Soviet Government, the latter has unlimited opportunities of carrying out its plan for scientific organisation and rationalisation, but in the domain of agriculture the State can only intervene by indirect measures, by means of its credit policy, fiscal measures and the like. The progress made by agriculture proves that within the Union the problem of the co-existence of a big "socialised" economic system and small private property has been satisfactorily solved. The value of agricultural production in 1913 was 11,770 million roubles ; in 1925-26 (on the 1913 price basis) it amounted to 11,300 million roubles, and this year it is approximately 11,900 million. Here again the pre-war level has been reached.

One factor which to some extent impedes more rapid development in agriculture is the relatively

high cost of manufactured products. The economic and commercial organisations of the State and the co-operative associations are systematically endeavouring to bring down these high prices. The increase in industrial production and the improvement in internal industrial organisation will in time inevitably bring about a steady reduction. This will be a further factor in increasing the workers' real wages and the real profits obtained by the peasants on the sale of agricultural produce. An increase in the supply of town-produced goods will obviously stimulate agricultural production and ensure the possibility of increased output for labour in the domain of agriculture. On the other hand, progress in agricultural production is retarded by the fact that part of the rural population does not possess the necessary equipment or the working capital required to maintain and increase their output.

Although the Soviet Government has organised a large system of agricultural credit for medium-sized properties in need of assistance, it cannot supply all the credit requirements of the country districts. The impossibility of intensifying agriculture sufficiently has resulted in a surplus of several millions of peasant workers. A certain proportion migrate to the towns, creating a nucleus of unemployed which cannot be absorbed in industrial undertakings, whose productive capacities are being utilised to the full. The number of workers employed in factories rose between June 1st, 1924, and June 1st, 1926, by 800,000, and increases every month.

The unemployment due in the Soviet Union to the so-called surplus rural population is quite different in character from unemployment in Western Europe. Whereas in these Western countries it arises from the incomplete utilisation of the producing capacity of industry, in the Soviet Union the surplus in the rural population is due first and foremost to the policy of animosity and mistrust pursued by certain Western industrial States *vis-à-vis* the Soviet Union. This policy results in a refusal to meet the requirements of the Soviet market. If these could be met, however, this would ensure more rapid development in the Soviet Union and would at the same time reduce unemployment in the Western industrial countries. Nevertheless, despite these unfavourable circumstances, agriculture in the Soviet Union will, in the course of the next few years, begin definitely to develop on a big scale. A decisive indication is the great impetus already visible. The peasants are abandoning their old patriarchal methods in favour of a system more suited to modern requirements. Whereas formerly the villages used to boycott the agricultural expert, there are now hardly enough experts to satisfy the demand. Before the Revolution the Russian harvest per deciatine was only one-third of what it was in Western Europe. Changes in the technique and methods of farming under the new peasant economic system appear likely to lead to a big increase in the total agricultural production.

This is the aim of the Soviet Government policy in the country districts. The first care is to support medium-sized and small properties, while energetic support is also given to all forms of co-operation. The latter, being as they are absolutely voluntary, represent at the same time the first manifestation of socialisation in the agricultural sphere.

The present position and future prospects of agriculture in the U. S. S. R. have an intimate connection with the position and prospects of the Union's foreign trade. It is essentially to the interest of the Soviet Republics to develop their foreign trade. This would enable them to utilise the resources of the world market with the object

of further developing and consolidating the national economic system. Current references to the Soviet Union's alleged desire to form an isolated economic unit are a distortion of the real objects of the Union's economic policy.

It is obviously to the interest of the U.S.S.R. to participate more extensively in world trade and not to restrict its action. Exports from the Union are still small, and whereas industry and agriculture have in the main reached 100 per cent of their pre-war dimensions, foreign trade amounts to barely 40 per cent of what it was before the war. At the same time this decrease, though inevitable, is merely temporary. It would be a profound mistake, based upon imperfect information, to imagine that this relatively slow recovery of foreign trade is in any way connected with the principles underlying the socialist economic organisation, or rather the socialist organisation of foreign trade on the State monopoly system. This is the very reverse of the truth. The enormous figures for Russian pre-war exports were an unhealthy sign and were simply due to the fact that the old regime did not scruple callously to exploit the peasants. All impartial investigations go to prove that before the Revolution Russia was undoubtedly not exporting surplus products that could not be consumed within the country. On the contrary, the working-class Revolution resulted, as a natural consequence, in an increase in the capacity of the home market, that is, an increase in home consumption. This led to a reduction of the resources available for the foreign market.

The policy of the old regime, which was to export on a big scale, sapped the country's economic strength. The policy pursued by the Soviet Government, which involves a temporary reduction of exports, will lead in the near future to a considerable increase, as the result of increased production in the towns and country districts — a state of affairs which could never have been brought about under the old regime of poverty, famine and class oppression.

The Soviet Union has had good harvests during the last two years. At the same time, the exports of cereals during this period were considerably less than before the war, for the reasons to which I have just referred. The peasant and the worker are now much better fed than before the war, and the grain which was exported at that time is now consumed within the country. To these reasons must be added the fact that, after the bad harvest of 1924-25, the country was left without sufficient reserves of grain. At the present time, the reserves stored in country districts amount to 600 to 700 million poods, and this is sufficient for the emergency stores in kind regarded as necessary under the peasant economic system. If the next harvest is satisfactory, there is a prospect of an increase in corn exports next autumn.

These circumstances and not the foreign trade monopoly are responsible for the temporary drop in exports. As things are, the State monopoly organisation cannot but encourage foreign trade, which makes it possible to organise exportation and importation in such a way as to increase the productivity of the country with the least possible delay. If, in the effort to break down the Government trade monopoly, the unreasonable economic measures of commercial and financial boycotting are applied, responsibility for the harm thus done to the Union's foreign trade will undoubtedly lie with those who have instituted these measures and not with the foreign trade monopoly system. It should be noted, further, that such measures are also economically prejudicial to the country that applies them. The system of foreign trade adopted by the Soviet Union does not close the market to

foreign industry. On the contrary, an understanding with the Soviet Union would open up for foreign industry a permanent and stable market, with solid guarantees. This is a categorical reply to the questions so often asked us both before and during this Conference. Certain countries are adopting this method. There is, for example, the agreement concluded with German industry. Undoubtedly, none of the countries that do adopt this method will have reason to regret it.

It may be asked, however, whether the Union's programme of industrialisation does not at the same time mean a reduction of imports into the Union. It would be a great mistake to think so. In 1925-26, the Soviet Union imported industrial plant to the value of 50 million roubles, while in 1926-27, provision was made for imports amounting in value to 140 million roubles, so that the import of industrial equipment has thus been trebled in a single year.

As regards industrial production in the country itself, this amounted last year to 160 million roubles in the form of plant, and this year's production is assessed at 170 million roubles. Being forced, as long as its exports are small, to limit its imports, the Soviet Union considers it essential to use these primarily for productive purposes. Eighty per cent of this year's imports consist of plant and means of production. The great industrial development of the country necessarily involves the importation on a big scale of machinery and other means of production required for the Union's heavy industry.

The industrialisation of the Union will thus make it possible for the constituent members to increase their exports. Further, prosperity will increase with economic development, and this in its turn will mean the importation of goods required for the cultural needs of the country (municipal improvements, fitting up of scientific laboratories, etc.). The re-establishment of normal relations in the matter of credit may shortly stimulate importation into the Soviet Union, while serving to promote exportation (the importation of plant and other technical equipment for the development of the different export branches).

The economic system of the U.S.S.R. might also, of course, develop independently of close relations with the capitalist world, in which case the accumulation of wealth would be a slower process, depending upon the country's own resources. The political and economic systems in force in the U.S.S.R. and in the capitalist countries differ from one another profoundly; yet co-operation between them is perfectly feasible, as has been proved by the experience of the last few years.

The Soviet Union not only admits of the employment of foreign capital in commercial relations, in the true sense of the word, but also offers an opportunity of participating in the economic life of the Union, in the form of concessions. The enormous natural resources of the Soviet Union open up unlimited possibilities. Lastly, the Union requires technical assistance, of which the capitalist world has a very considerable supply. Scientific and technical collaboration, which is only just beginning with the countries that are most advanced in technical matters, will make it possible to employ foreign brains in the Soviet Union (a case in point is the co-operation of committees of American and German experts in the construction of a big electric power-station on the Dnieper).

These various forms of collaboration between the U.S.S.R. and countries organised on capitalist principles represent at the same time a kind of competition between two economic systems. The Soviet State has no reason to shrink from this pacific form of competition, which is incidentally a practical test of the two systems. It is convinced that the very great advantages of Socialist organisation make its economic system the most rational, owing to the elimination of private ownership, this in its turn doing away with conflicting interests in different countries, in different branches of the economic system and in private undertakings. No menace of war against the Soviet Republics could in any way impair the significance of the success of the Union's socialistic economic system. The Union takes a somewhat ironical view of the charges of "Red imperialism" which are levelled against it, for it values nothing so highly as general peace, nor has it any doubts as to the possibility of organising the two different systems concurrently.

Indeed, if these two systems continue to exist side by side, time will prove that, of the two, the socialist system is better calculated to eliminate economic inconsistencies and promote the development of potential productivity. The fact that this International Economic Conference has been convened is, as it were, a proof that the development of productive forces to their present state has brought the world face to face with the problem of finding a far more perfect form of economic organisation than the capitalist system has so far been able to discover.

The Conference will mark a certain advance if it leads to a fuller comprehension of the real character of the present economic difficulties of the world, if it helps to improve the economic relations between the capitalist countries and the Union of Socialist Soviet Republics, and thus serves as a safeguard for the maintenance of peace.

EIGHTH MEETING

Held on Saturday, May 7th, 1927, at 3 p.m.

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GENERAL DISCUSSION (*continuation*).

The President :

Translation : M. Sečérov (Kingdom of the Serbs, Croats and Slovenes) will address the Conference.

M. Sečérov (Kingdom of the Serbs, Croats and Slovenes) :

Translation : The general impoverishment of consumers throughout Europe, in agricultural and industrial countries alike, is a natural consequence of the world war. It is the reduced purchasing-power of the consumer which is largely responsible for the economic disturbances and the reduced demand which we have witnessed since the war. It is this diminished purchasing-power, too — more especially in South-Eastern and Eastern Europe — which must be regarded as one of the main causes of the reduced demand for European industrial products and as one of the chief obstacles to the revival of that demand.

We have therefore to consider what should be done to create or increase the demand for industrial products and to enlarge the market for manufactured goods and thereby rescue industry from its present state of depression.

Two methods are possible : In the first place an effort can be made to raise the general standard of living among consumers in industrial countries ; a higher standard would increase the demand for industrial as well as agricultural products. A second and equally effective way would be to raise the standard of living among agricultural populations, more especially in Eastern and South-Eastern Europe.

This standard is low because the national income is low. The national income per head of the population is, of course, much smaller in agricultural than in industrial countries, and accordingly the standard of living cannot be as high in the former as in the latter.

This is the chief cause of the small demand for industrial products and of the prevailing economic depression to-day. It is not the new State frontiers that are responsible for the present economic situation, nor for the reduced purchasing-power of the agricultural population. Had the State frontiers of Europe remained unchanged, the general post-war situation would still be what it is to-day, because the present purchasing-power of the people is too small to stimulate industrial activity.

There cannot be any great demand for industrial products in an agricultural country, because the national income is small, earnings are small, and the purchasing-power of the people is thus bound to be small also. It is therefore essential in the interest of the world economic situation to raise the purchasing-power of the agricultural population ; and, as far as Europe is concerned, it is particularly necessary to raise that purchasing-power in the South-Eastern and Eastern parts of that continent.

The low agricultural output per unit of area to-day — due partly to the primitive methods of cultivation employed and the lack of modern mechanical implements, partly to the destruction of the means of production and the loss of life in the war — precludes any possibility of obtaining large net profits.

Agricultural populations, therefore, with their small earnings, cannot be expected to create the capital necessary to develop agricultural production, to develop production, and develop it quickly. A new economic element must be introduced : agriculture must be provided with the necessary capital in the form of special agricultural loans, more particularly mortgage loans.

But agricultural credit is very dear, especially in Eastern and South-Eastern Europe, where there is no suitably organised mortgage bank which can provide sufficient credits, and the agricultural population of those countries is thus compelled to fall back on short-term bank credits at high rates of interest.

It is this form of credit which causes the high cost of production, and, if we also take into account the heavy burden of taxation which those countries have to bear, we can readily see that the agricultural population cannot clear any net profits ; or, at all events, that any profits they may obtain from time to time are very small. The agricultural population cannot, therefore, by saving, create the capital required for the increase of production.

A low purchasing-power among the agricultural population entails a correspondingly low level for the whole population.

The purchasing-power of the agricultural population must be increased either by raising prices or by lowering costs of production. A rise in the prices of agricultural products would have the effect of checking the consumption of the industrial population and especially of the workers ; nevertheless, an increase in the consumption of agricultural products is essential in the interests of agriculture.

It is, then, in the lowering of costs of production that the solution of the problem lies. Just as in industry prices can be reduced by means of cheap

capital, efficient machinery and sound industrial methods, so in agriculture, in order to reduce the costs of production and thus increase output, use must be made of machinery, artificial fertilisers and other methods of improving the soil and cheap capital must be available.

Having accepted this principle, which is of paramount importance not only for Europe but for the world as a whole, we are then faced with the question, first, how to obtain the necessary agricultural credit, and, secondly, whether this World Economic Conference can adopt or formulate measures calculated to restore the normal economic equilibrium by increasing the purchasing-power of the agricultural population, which alone can absorb the surplus production of industry and thereby promote economic world peace.

There are, I think, certain measures which this Conference can recommend. In the first place, a very useful step would be the organisation of an international agricultural credit institution based on collaborative action by the agricultural co-operative societies. Such an institution would be able to place the surplus capital of one territory at the disposal of the population of another. Secondly, the recommendation and establishment of a system of long-term agricultural mortgage loans at low interest, with all the requisite securities, would be of great help in bringing about an increase in production and a rise in the purchasing-power of the agricultural population and of its standard of living.

The loans for the financial reconstruction of various countries and for the settlement of refugees have had a definitely beneficial influence on world peace; yet the economic importance of these loans is far less than that of the agricultural credits I have suggested. I should be very glad to see the Conference take up this question, and I am sure it could do useful work in this field, since agricultural prosperity is the surest guarantee of world peace.

The President :

Translation : Dr. Stodola (Czechoslovakia) will address the Conference.

Dr. Stodola (Czechoslovakia) :

Translation : Mr. President, ladies and gentlemen — It is not without emotion that I rise to speak in this historic hall, in a city which has such a great past and such high traditions.

This city of Geneva, whose people have extended such a friendly welcome to us, possesses the further attraction of having been the birthplace of Rousseau, whose great ideal, the restoration of the links between man and Nature, still points — even to-day when the social order has been so seriously shaken — to the true path of the spiritual development of mankind.

The present unsatisfactory economic state of the world is particularly marked in the countries of Central Europe, and more especially in Czechoslovakia, as may be seen from some of the documents submitted to this Conference.

Side by side with the general causes of this economic unrest in Central Europe, there are particular causes, due to the existence in those countries before the war of considerable economic difficulties and of a lower standard of living than that in Western Europe.

It would be a mistake to connect this economic situation directly with the political changes that have taken place. After all, the pre-war economic physiognomy of those countries was only a few decades old, so that we can hardly talk of an economic tradition.

On the other hand, it must be emphasised that the changes in the political situation have released latent forces and impulses which have stimulated economic progress and development. For this reason it is neither possible nor desirable to restore pre-war conditions, and the present position must be looked upon as real and lasting.

To understand the present difficulties, we must realise the economic development and the general position of the Central European countries after the war. Reserves of food, raw materials and manufactured goods were completely exhausted. The yield of the land had been reduced, and war-time requisitions had decreased the number of cattle. Exchanges were badly shaken, there was a shortage of foreign currencies, and home and foreign transport were completely disorganised. For these reasons production was seriously threatened, the purchasing-power of the public was reduced, the whole national economic system was dislocated, and there was a very real danger of social disturbance.

Such were the conditions prevailing at the birth of the new States, among them Czechoslovakia, which could only rely on her own efforts to maintain her population. It was in such circumstances that the foundations of Czechoslovakian economic policy were laid.

Having realised these difficulties at the outset, Czechoslovakia has made untiring efforts to improve her position, without relying to any great extent on outside help. This policy naturally entailed heavy sacrifices on the part of every class of society, and led to a very great increase in taxation, which only the thrift and frugality of the people rendered possible. For that reason restrictions had at that time to be placed on the importation of certain luxury articles, not so much as a matter of trade policy as because, owing to the general situation, such goods could not be consumed.

Thanks to these measures, our people succeeded, by their own strength, hard work and perseverance, in stabilising their currency and balancing their budget sooner than most of the other Central European countries.

These abnormal conditions have considerably increased the public debt, and the interest and sinking fund are now a heavy charge on every branch of production.

Thus we see that Czechoslovakia has laid the foundations of her future economic development, and has endeavoured to establish home conditions favourable to the economic prosperity of the nation.

Notwithstanding these efforts, output in many industries has not regained its pre-war level, particularly in the case of coal, exports of which have fallen by over 50 per cent. The same applies to iron and steel, the metallurgical industry, glass and porcelain, and the textile industry: and agriculture is not yet established on a firm basis, principally owing to the competition of exporting countries where agriculture is still on an extensive basis. Foreign trade also decreased appreciably as compared with the position before the war; this applies in particular to exports of manufactured goods, and the result is serious unemployment.

Our output has decreased greatly. Some of our industries have been abandoned altogether, and consumption has diminished. It is essential for Czechoslovakia — as, according to Sir Max Muspratt, it is also for England — to realise the fundamental changes which have taken place in the structure of the international economic system and to adapt herself to the new conditions.

We are willing to co-operate loyally with other countries in restoring international trade. We are adjusting our trade policy to this end, basing

it on the principle of the most-favoured nation and on tariff conventions which are very wide in scope.

For several years past our policy, inspired by these ideals, has constantly been to reduce Customs duties. I might point out that, according to document C.E.I. 37, which has been laid before the International Economic Conference, and on which we have already made certain observations, the average increase in import duties into Czechoslovakia since 1913 is only 5 per cent.

It is not our policy to impose unduly high Customs duties. On the contrary, we are suffering from the ultra-protectionist policy of certain States, a policy which hampers our export trade, and more than half of our production in some industries is for export.

Czechoslovakia is endeavouring, by a suitable economic policy, to lessen the internal obstacles to the maintenance of output. We should like to see the same policy followed in the international sphere with regard to all obstacles, whether connected with Customs duties or with transport or other matters. We should like to see international credit operations made easier, and we hope that the co-operation between central banks in different countries, in which a beginning is being made, will become increasingly close.

Several times, at this Conference as elsewhere, a plea has been advanced for closer economic relations among the countries of Central Europe. I should like to make our position in this matter quite clear. We are in favour of any real economic *rapprochement* which will not affect the independence of the countries concerned; but, in order to attain this object, we must first know what attitude is being adopted towards such a system by countries which are not included in it, but which enjoy most-favoured-nation treatment under existing commercial treaties.

A distinguished member of the Hungarian delegation has delivered here a speech which was to a certain extent political in character. You will I think, all agree that this is an economic conference and is intended to promote economic relations.

The primary condition of economic development is political stability based on the Treaties of Peace. We believe that, in adopting this basis and regarding the Treaties as the starting-point of our economic activities, we are adopting the only real means of attaining positive results.

Several points relating to economic matters were raised in the speech by our Hungarian colleague which we shall take occasion to rectify when the Committees meet.

Ladies and gentlemen, I will now conclude. Before doing so, however, I should like to emphasise the importance of the moral forces that are bound up with the economic progress of the world.

Our efforts must be directed towards the attainment of a world economic ideal which, amid the materialism of modern life, will preserve our sense of dignity, honour and greatness.

The asceticism of labour—an ideal which is especially dear to the people of this beautiful country, Switzerland—and the noble desire to put an end to social inequalities must guide and inspire us in our work: for to labour in the economic field is, after all, to labour in the service of humanity, and will bring us to the ultimate realisation of our ideal—justice and peace.

ELECTION OF VICE-PRESIDENTS.

The President :

Translation : Ladies and gentlemen — Last Wednesday I announced that I should have further

proposals to lay before you to complete the organisation of the Conference. The proposals I had to make related to the election of Vice-Presidents.

I have given mature reflection to the matter, and have now the honour to propose the following list, which to the best of my belief takes account of all the practical considerations bearing upon the question.

I would remind you that on Wednesday you appointed M. Loucheur as Vice-President, and I now propose to complete the list of Vice-Presidents. As you will see from the list of members, of which you all have a copy, the names I am about to read out are placed in alphabetical order of delegations. They are as follows :

Mine Emmi FREUNDLICH (Austria) ;
M. DE RIO-BRANCO (Brazil) ;
Sir Arthur BALFOUR, K.B.E. (British Empire) ;
M. O. C. S. SONNE (Denmark) ;
M. C. F. VON SIEMENS (Germany) ;
His Excellence Count BONIN LONGARE (Italy) ;
M. T. SHIDACHI (Japan) ;
M. M. J. OUDEGEEST (Netherlands) ;
M. H. GLIWIC (Poland) ;
Mr. Henry M. ROBINSON (United States of America) ;
M. V. OBOLENSKI-OSSINSKI (U.S.S.R.).

If there is no objection to this list I shall regard the eleven persons whose names I have just read as appointed Vice-Presidents of the Conference. (*Assent.*)

ELECTION OF CHAIRMEN OF COMMITTEES.

The President :

Translation : I have still to propose the Chairmen of the three main Committees which you have decided to set up.

I propose the following :

Chairman of the Committee on Commerce :
M. COLLIN (Netherlands) ;
Chairman of the Committee on Industry :
M. HODÁČ (Czechoslovakia) ;
Chairman of the Committee on Agriculture :
M. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

If there is no objection, I shall regard this proposal as adopted. (*Assent.*)

GENERAL DISCUSSION (*continuation*).

The President :

Translation : M. Obolenski-Ossinski (U.S.S.R.) will address the Conference.

M. Obolenski-Ossinski (U.S.S.R.) :

Translation : More than seventy years ago the celebrated French economist, Proudhon, published his *Système des contradictions économiques ou philosophie de la misère*. These terms might, I think, aptly be applied to our own time. The present economic system of the world may rightly be described as a system of "contradictions économiques", and the social philosophy of our time is for the most part a "philosophie de la misère".

The present world economic system is a veritable maze of contradictions. We find them everywhere. Though interlinked, they are infinite in number and variety. It would be impossible to enumerate them all, but no adequate review of the present situation can be given without a brief reference to the most important of them. That is not only possible but

is very necessary if we are to obtain a clear idea of the true situation.

Suppose for a moment that we proceed to classify, in order of economic prosperity, the countries represented at this Conference, and also those not represented here.

We should give first place to the United States, the economic victors of the world war. We should place next the neutral States and the British Dominions; next would come England and France, the military victors, conquered Germany and the new States in Eastern Europe; and, finally, we should have the agricultural countries of the East and the semi-colonial and colonial territories.

If the experts who prepared the documentation for the Conference had drawn up a comparative table showing the conditions obtaining in all these countries — their national wealth, the national income per head of the population, the consumption of certain commodities, the average wages paid, the average length of the working day and so on — we should find a pitiful state of affairs attended by startling inequalities.

These inequalities existed before the war, it is true, but they have since been accentuated. It must be remembered that the whole population of the world — about 2,000 million — were caught in the backwash of the war. Even the most backward countries were aroused from their age-long slumber. All are now aspiring to economic and social equality, and no one who fails to grasp that truth can ever find the key to the social psychology of the age.

But since we possess no such comparative table, all I can do is to quote a few characteristic figures from existing sources.

According to Harvey Fisk, the national wealth per head of population in the United States is 2,091 dollars; in Italy 531; in Japan 268; in India 142, or only one-fourteenth of that of the United States.

The national income in India is only one-twentieth of that of the United States.

According to the latest figures given by the *Revue internationale du Travail*, real wages in Philadelphia are 89 per cent higher than in London, and in Berlin and Vienna they are respectively three-quarters and one-half of what is paid in London.

The American textile-worker earns from 60 to 90 dollars a month, while the Chinese textile-worker only earns 3 or 4 dollars.

In Europe they talk of an eight-hour day — though they do not observe it — but in China men work from twelve to seventeen hours a day for seven days a week, without a break.

This simple statistical comparison reveals an aspect of the picture which, though not perhaps as obvious as, let us say, the jetty of Lake Geneva, is nevertheless sufficiently striking; it is arousing bitter resentment on the quays of Hankow and Shanghai and it will eventually bring its inevitable consequence.

To return, however, to the contradictions in the economic system of the world. The most general and the most obvious is the enormous disparity that exists between the productive capacity of industry and the purchasing-power of markets. It is revealed by the incomplete use that is being made of the instruments of production. Even in the United States, one of the most prosperous countries in the world, 25 per cent of the ironfoundry plant and 25 per cent of the mechanical engineering plant is standing idle.

In England, 41 per cent of the metallurgical and 45 per cent of the textile plant is unused. In Poland, the figures are higher still. This phenomenon is so well known that I need not trouble you with fuller details. The root-causes

of the situation are the reduction of the purchasing-power of the working and peasant classes in the majority of countries, the ruin of whole States, and the policy of boycotting and violence applied to large countries such as the U.S.S.R. and China. As the result of the late war, certain States are burdened with payments which oblige them to sell commodities, to throw them on the market — a senseless procedure from the economic point of view — or, conversely, to refuse to buy commodities that they actually require.

The reduction in the purchasing-power of the working-classes is one particular feature of another contradiction which has been greatly accentuated. I refer to the contradiction between the economic position of the working classes and that of the business capitalists. This contradiction is particularly striking in the United States. It is true that the well-known American economist, Thomas Nixon Carver, says that in America all the workers have become capitalists and economic contradictions no longer exist; but the absurdity of this statement will be seen from the fact that, despite the democratisation of joint-stock companies, 75 per cent of the total shares held are in the hands of 4 per cent of the shareholders. Of the total dividends paid out in 1924, only 8 per cent went to wage-earners. There is a great deal of talk in America of workers' banks, a system under which it is claimed that the workers control the bank's capital. But the total capital and deposits in these banks as a whole amount to less than 1 per cent of what is known as the "banking power" of the United States; the actual proportion is only 2 per thousand.

The real wages of workers in the United States in 1925 were, it is true, 25 per cent higher than before the war; but the real profits reaped by the industrial capitalists were far greater. Professor Varga calculates, on the basis of data obtained from American industrial circles, that the total income from industrial capital in 1914 was a little under 5 milliard dollars, whereas in 1923 it was slightly over 13 milliard dollars. In other words, it was two and a-half times as great.

Despite the upward trend of wages, the gulf between capital and labour has widened. During that period the class-consciousness of the workers, their economic claims and their demands for social equality greatly increased. There are in the world to-day not only what are known in Russia and Germany as "the scissors" between the curves of industrial and agricultural prices, but also social-economic "scissors" which are no less important and no less sharp.

In Europe, real wages are, at best, on the same level as before the war. East of the Elbe they are — except in the U.S.S.R. — below the pre-war level. This phenomenon is only natural when one considers the enormous number of unemployed in the world to-day. In one of the most recent documents issued by the League of Nations, the number of unemployed, including their families, is placed at 20 millions, which is equal to the population of a fair-sized European State, and this at a time when the United States are short of labour and, notwithstanding, have almost closed their frontiers to European immigration.

At first sight, it may seem strange that, with so much unemployment in the world, the working day should be lengthened for those actually employed; yet this process — one of the lesser contradictions in the economic field — is very much on the increase. The Washington Resolutions of 1919 concerning the eight-hour day have never been ratified. The U.S.S.R. is the only country where the working day does not

exceed eight hours, and is indeed only six hours in the mines. The working day in England, Germany and other countries is tending to become longer. According to the *Official Gazette* of the British Ministry of Labour, the number of British workers whose working day was lengthened in 1926 was approximately a million.

All these facts are illustrative of the general offensive conducted by industrial capitalists against the working classes. This offensive is already taking the form of an attack against the trade-union right of association and the right to strike. From the economic point of view it is a sure sign of the sharpening of the contradictions that exist between labour and capital. For, I repeat, class-consciousness and the just claims of the working classes have grown apace.

An equally sharp contradiction is that which exists between capitalist industry and agricultural production. The former is fully organised and in close touch with business and banking capital. Agriculture, on the contrary, is in the hands of millions of small producers. The researches of experts in agrarian economics proved long ago that in almost every country in the world there is a disparity between agriculture and industrial price curves, the advantage being with the latter. The term "scissors" has been applied to this phenomenon.

One of the Conference's latest documents shows that, taking the average for every country, the agricultural purchasing-power is less than 90 per cent of what it was before the war, being somewhere between 74 per cent and 90 per cent. Given equal conditions, the rural markets for industrial products should have fallen to an equal extent. The outcome of the system of monopolies and cartels, which has been growing since the war, is, therefore, quite clear. Nevertheless, the relatively low rate of agricultural prices is directly connected with the reduction in the purchasing-power of the working classes, for the workers are the principal purchasers of articles of consumption.

But in the capitalist world itself we find a whole series of contradictions — of conflicts. Let us pass over the less important of these — between capitalists in various branches of industry and between industrial, business and banking capital. The principal contradictions are between the powerful national capitalist groups in control of the big Powers to-day. A fierce struggle is raging in this domain, the struggle for sea and rail routes, for export markets, for sources of raw materials, for openings for capital investment. Endless instances of this struggle and of the contradictions to which it gives rise might be quoted. As regards the sources of raw materials, for example, it would be misleading to confine our attention to the two commodities — oil and rubber — which are attracting most general attention. There is also a bitter struggle for iron, copper, timber, cotton, wool, potassium and many other commodities. It would be equally misleading to consider only the two greatest world States — the United States and England. France, Italy and Japan are also engaged in this extraordinarily intense struggle, which constitutes such a deadly menace to the peace of the world, and which, as I say, is being waged in four directions at once. The struggle for raw materials is the most plainly visible, but it is not the most important. It is astonishing to think that none of these problems are suggested as subjects for discussion at a Conference which is asked to study the economic difficulties that threaten the peace of the world.

While the great contradictions between the imperialist systems themselves were assuming vast proportions, some of these countries transformed

into a contradiction of the sharpest kind the innate contrast that exists as between the capitalist system of the European-American world and the Socialist system of the Soviet Union.

The existence of this contrast does not imply that these two parties must necessarily come into actual conflict. The Soviet Union at any rate sees no inherent necessity for that. Socialism is not merely a system of economic and national equality; it stands primarily for peace. A peaceful foreign policy is a permanent feature and forms an organic part of the policy of the Soviet State. The fact that dissimilarity exists between two economic systems, which are forced for a given period to exist side by side, by no means precludes the possibility of a practical understanding between them. On the contrary, such an understanding is perfectly feasible. For that reason, the economic and financial boycotting of the U.S.S.R. which has been attempted with partial success in recent years has formed an unnecessary addition to the confusion already existing in the world. The share taken in world trade by the territory now comprised in the U.S.S.R. amounted before the war to 4 per cent. By 1925 it had fallen to a little over 1 ½ per cent, chiefly through the lack of requisite credits. Nevertheless, the part played by the Soviet Union in world trade and in the world money market is capable of increasing to dimensions larger even than before the war. The absence of the U.S.S.R. from these markets and its partial exclusion from world trade have aggravated the effect of the disturbances resulting from the reduced purchasing-power of the world as a whole.

The contradiction between the great empires of the world is closely connected with the other great contradictions in economic life to-day. The powerful groups which control the contemporary world States are causing violent conflicts between the interests and rights of the mother-countries and their colonies. The struggle for export markets, sources of raw materials and openings for capital investment is also a struggle for economic exploitation with the maximum yield. Accordingly, colonial and semi-colonial countries are regarded as mere chattels, and their natural wealth as the property of the governing State and not of the actual population of the country. The population is looked upon as a mere collection of human beings with no sovereign rights, who have not reached a stage of maturity sufficient to enable them to take their economic and political destinies into their own hands.

This contradiction, which already existed before the war, became sharply accentuated after the close of hostilities. The whole world having been divided up, the next step was to intensify the exploitation of the colonies. But the national consciousness of the colonial peoples and the class-consciousness of colonial workers have also grown. The ineradicable sympathy which the first Socialist republic of the world feels for colonial peoples, and more particularly for the people of China, in their struggle for their rights, is consonant with the inexorable laws of history:

The contradictions of the world capitalist regime may be described as constituting one long and constant world crisis, independent of the periodic economic crises and the periodic alternations of activity and depression.

In their more acute phases these contradictions take the form of a series of revolutions and armed conflicts which for the time being are only in the nature of guerrilla warfare. But the large-scale armaments which are still being maintained together with the acute economic struggle now being waged render the menace of a new war, a fresh world cataclysm, a very real one.

What are the reasons for all these contradictions, and what has made them so intensely acute? The primary cause undoubtedly lies in the actual character of the economic system under which they have arisen. It is a system of private ownership in which the constant aim is to obtain the greatest possible return on outlay. It is organised in large producing units, and these units, which tend more and more to coalesce, are passing through a process of capitalist concentration. At the present stage in the development of the capitalist economic system, the big concerns are combining more and more, either by the help of financial capital or by forming national and international monopolist alliances.

Any economic system based on private ownership necessarily implies competition between individual concerns. As the production of capital is concentrated in fewer hands, this struggle becomes more intense and more embittered. It covers ever-increasing circles, although it may become less intense as far as certain outlying sectors are concerned. When capitalist undertakings come to be organised on a national scale, it is only natural that the strength and resources of the State should be drawn into and expended on this competitive struggle. But the State stands for organised force. Armed force has been an essential feature of every form of State that has existed hitherto. The fight for markets for cheap raw materials, for profitable fields of capital investment, which have now to be sought outside the national frontiers, the tense struggle between the national capitalist alliances of different countries, all the old forms of economic competition, in fact, eventually develop into armed competition between capitalist empires.

For a time this competition may appear peaceful, or at all events semi-peaceful. The seizure of markets and of territories only leads to minor colonial wars, but, when the contradictions which exist between the imperialist groups grow more accentuated and come to a head, a vast armed conflagration, a great war, ultimately breaks out. A great war between world Powers is a world war, and represents an attempt to solve by violent means contradictions which existed in the world in the preceding epoch. The world war 1914-18 was an attempt to solve the accumulated contradictions of the previous forty years. Thus it is not the world war that is the cause of the present organic crisis in the world economic system. The war itself was simply a part of a vast complex crisis which had been developing for decades as a result of the expansion of the monopolist capitalist system.

There is no real way out of the newly formed complex of these contradictions in world economy, or, rather, there is only one way out — to transform the whole economic system, or, in other words, to change over from the capitalist system, based on private ownership, to the socialist system. The contradictions that exist in the world economy of to-day will not disappear, nor will the menace of war be permanently removed, until the producers themselves take over the management of producers' trusts, which to-day have assumed nation-wide proportions, and until production, instead of being carried on in private interests, is designed to satisfy the requirements of the producers themselves. All other solutions are vain, and will only aggravate these contradictions, or at best temporarily mitigate their harmful effects, only, perhaps, to give rise to still more serious troubles in the future. The proposals for the alleviation of the present economic crisis which M. Loucheur put forward in his Berlin speech prior to the

present Conference and those submitted by M. Jouhaux at this Conference itself can only be regarded as purely imaginary solutions.

M. Loucheur looks, for the solution of the present difficulties, to the gradual lowering and eventual abolition of Customs duties throughout Europe. He also puts great faith in the organisation of cartels to regularise production, reduce competition and establish a certain degree of order in the distribution of products of all kinds. He thinks that his plan, if carried into effect, would react favourably upon the economy of Europe and of the whole world. To me, however, it seems that the net result of these proposals, taking into account the actual conditions of capitalist society, will be the following :

1. The process of industrialising agricultural countries will be arrested, since those countries will be forced, under the pressure exercised by more powerful States, to lower their Customs duties.

2. The more powerful States will retain high Customs duties (the weapon of protection, indeed, will never be renounced for purely abstract reasons, especially where there is a powerful group of undertakings which exercises control not only over its own consolidated interests but the social system as well).

3. The smaller countries, which cannot play any large part in the system of industrial cartels, will be crushed.

4. The struggle between America and the European cartels will be intensified.

5. Prices in Europe will probably rise.

6. European employers, combined in cartels, will exert a still heavier pressure on the working classes.

For these reasons, it seems to me that M. Loucheur's plan might better be described as a bid for freedom of trading for monopolist cartels.

M. Jouhaux's plan is at bottom no more than a corollary to and a practical application of M. Loucheur's plan. At the same time, it coincides absolutely with that of the Second International which has appeared in the Press. M. Jouhaux, like M. Loucheur, advocates the reduction of protective duties. As a supplement to M. Loucheur's plan, M. Jouhaux expresses in a vague general form his concern at the deplorable position of agricultural producers to-day. But the main point of his speech is his proposal to establish under the League of Nations a permanent Economic Council to prepare an organisation which would ensure co-ordination in European economic questions, including, in all probability, the co-ordination of cartel activities. The Second International has already proposed an organisation for the democratic control of these cartels. Masters, consumers and workers are all to be represented on it. M. Jouhaux accordingly thinks that the Economic Council should be composed of eighteen persons, of whom three would be employers and three workers. The twelve State appointed representatives would also include representatives of the consumers' interests.

M. Jouhaux evidently wished to build a democratic façade to M. Loucheur's plan. Doubtless M. Jouhaux finds that a very pleasant occupation ; but it does not hold out to the world any greater hopes of positive achievement than the "socialisation commission" once created by the leaders of the Second International. Nor does it promise any more than the working classes already obtain through the institutions attached to the League of Nations which are already engaged in the study of labour questions.

The proposed organisation, like all similar organisations, would be without power to prevent the harm resulting from the *real* play of the *real* factors in the opposing forces. It would be a mere plaything in the hands of these forces, or rather a shield for their activities.

In this connection I might venture to refer to one point in regard to which many here present may perhaps feel some uncertainty. Does my scepticism as to the value of MM. Jouhaux and Loucheur's free-trade schemes mean that I am opposed to the laudable principle of freedom of trading itself, or that I am prepared to defend Customs duties, which, as has been said, constitute such a tremendous obstacle to the development of world trade ?

My reply is that in these matters the question of "principle" does not arise. I defend the right of colonial countries to freedom in Customs matters, and I consider that they have the right, where necessary, to establish protective duties. I believe in Customs duties as a deliberate means of co-ordinating the foreign trade of the Socialist State. I fully subscribe to the proposal to lower tariff duties in the big industrial States. My attitude towards this question must vary in real effect of these taxes on different economic circles and in regard to different economic units. I do not regard such questions as questions of principle.

But, I shall be told, the schemes for the reorganisation of Europe on socialistic lines have no bearing upon conditions at the present day or even in the present year. If the co-existence of the bourgeois and the Socialist systems for a limited period is regarded as feasible, it is *ipso facto* implied that the bourgeois system still has a further lease of life before it.

The world economic system is passing through a period of acute crisis. The consequences of that crisis will have a far-reaching effect on the situation of the masses. What are the measures that should be taken or that can be taken to remedy the worst of these contradictions, to improve the situation of the workers and to facilitate the transition to a new era in world economy ? The following concrete proposals may furnish the answer to this question.

It is essential that :

1. All war debts and all payments relating to the war should be cancelled, this being the sole means of liquidating the contradictions which are the direct heritage of the war of 1914-18. The cancellation of such debts would be a great step towards the restoration of world trade.

2. The wages of industrial workers should be raised.

3. The eight-hour day should be restored and a six-hour day should be introduced in mines and in occupations that are especially arduous or unhealthy.

4. The working classes should be given full and genuine freedom of association and an absolute right to strike.

5. A system of real and effective assistance should be introduced for the unemployed, particularly for those thrown out of work through what is known as the rationalisation of production. For this purpose, heavier taxes should be levied on the incomes of the wealthy classes, and all unproductive forms of consumption (expenditure on army and navy, civil service, luxury articles, etc.) should be cut down.

6. Strong measures should be taken to combat the raising of the prices of industrial commodities, particularly by cartels.

7. All barriers to the migration of the surplus population of one State to another should be removed.

8. Protectorates and mandatory systems should be abolished, troops should be withdrawn from the colonies and all nations should be allowed self-determination both in the political and in the economic field.

9. All military intervention in China should cease. China should be granted full political and economic self-determination with a view to the re-establishment of normal economic relations between herself and the rest of the world.

10. The economic and political boycott, in whatever form, of the Soviet Union should cease, and the relations established should be based on acceptance of the fact that two different systems must exist side by side. The Soviet Union should be granted credits to strengthen its purchasing-power ; concessions should be given in the Soviet Union to foreign capital ; technical co-operation and a system of exchange of information in the sphere of industrial technology should be established ; no further attacks should be made upon institutions which form an indissoluble and organic part of the Socialist system—in particular, the State monopoly of foreign trade.

11. There should be complete and effective disarmament, and all permanent land and sea forces should be abolished. All plant and equipment intended for military purposes should be dismantled under the supervision of the workers' and peasants' organisations.

Public opinion in the Soviet Union unanimously holds that not only is peace as dear to the heart of all peoples as life is to man but that it is the fundamental condition essential for all work in the economic sphere. Public opinion in the Soviet Union repudiates the capitalist and imperialist system for the very reason that it leads to war. The Soviet Union will do its utmost to support all practical measures to reduce the dangers of war and to save the lives of the workers in every country. It is itself prepared to take all measures that may be necessary to this end.

The President :

Translation : M. Loucheur (France) will address the Conference.

M. Loucheur (France) :

Translation : Ladies and gentlemen — As you will readily understand, my first duty is to express my thanks to our distinguished President, M. Theunis, and to the whole Conference for the honour which has been done me in appointing me Vice-President, an honour which you will, I am sure, allow me to regard as one conferred on my country.

Now that this very interesting discussion is drawing to a close, I desire to remind you of the purpose of this Conference, which was convened in pursuance of the suggestion I made to the League of Nations in September 1925, following upon a previous suggestion made by M. Jouhaux in 1924.

Whatever views may be held in some quarters, the main object of the League of Nations is to pave the way for and to maintain the peace of the world. It adopts political means to obtain this end, and you will, of course, recall the important discussions that have taken place in this hall in the attempt to develop still further the means originally provided in the Covenant in order to safeguard peace against aggression.

But, as M. Scialoja said in 1925, these are simply means to prevent impending outbreaks, and we felt that we ought to go to the root of the evil. History shows that many wars in the past have been due to economic causes, and we thought it desirable accordingly to study these economic causes and endeavour to remedy them — to go, as I say, to the very root of the evil.

The number of nations which have responded to the Council's appeal is very large, and the presence of so many eminent men here is an ample reward, I will not say for our own efforts, but for the international effort of the sessions of the Assemblies of 1925 and 1926.

Now that we are nearing the close of the general discussion and are about to go into committee to consider more definite questions, it may perhaps be well to see whether the discussion — which, far from having shown up conflicting dogmas and theories, has consisted throughout of frank and honest explanations in regard to the position of individual countries or individual views on the present world economic situation — it may, I say, be well to see whether the discussion has brought to light anything that would guide us on our way and enable us here and now to indicate the general lines of the work of the Committees which are about to meet.

I therefore propose to discuss commercial relations, in the strict sense of the term, and the question of the organisation of industry, and, since the Russian delegate has done me the honour of singling me out for special mention, I shall also take the present opportunity of replying briefly to the speech — a very interesting one from certain points of view — which he delivered from this platform.

The position is this: we are like doctors called in to attend a patient, and each one of us is endeavouring to form an accurate diagnosis of the malady. As always happens in such cases, the difficulty is to distinguish the symptoms from the disease itself — in a word, to find the real causes, for it is these that we must remove. We should be guilty of a grave error if we simply prescribed antipyrin to allay a fever without attacking the fever at its origin.

A great many speakers seem to be agreed that the root-cause of our troubles lies in the difficulties placed in the way of trade during the post-war period which has just closed. What they have in mind is the growth of an ultra-nationalist sentiment, which was perhaps natural after such a period of turmoil and was unfortunately sometimes justifiable in the interests, the legitimate interests, of security.

Considerations such as these led certain countries to resort to commercial expedients such as import restrictions, export duties and the artificial maintenance of the trade balance, with the net result that a number of useless industries were created and others were maintained which had no element of permanence.

What can the Conference do in the matter? For, I repeat, my only object in addressing you now is to put before you practical proposals for the solution of these problems. The Conference can hardly interfere in matters of national economy, but it can, and I think ought, to map out definitely and clearly the path to be followed in regard to a number of questions which I will now proceed to define.

In the first place, one of the bitterest complaints we have heard and one which recurs again and again like a *Leitmotif*, relates to the obstacles to which I have just referred, and especially to import and export prohibitions. In this connection I would merely remind you that a

comprehensive scheme has been drafted by Committees convened by the League of Nations, and this scheme is to be considered by a diplomatic Conference in November next. The International Chamber of Commerce, which is so brilliantly represented here, has proposed certain modifications. We think that the first duty of your Committee on Commerce should be not to revive the protracted discussion which has already taken place regarding the drafting of the scheme now submitted to the different States but to see whether it should not be supplemented, with due reference to the very interesting suggestions that have been laid before us here.

I do not think that this first question will give rise to any serious difficulties, and I shall therefore pass on to that of the Customs tariffs themselves.

Before attempting to set in order the ideas we are to adopt, we should perhaps come to a frank understanding in regard to Customs barriers. The idea which was mooted by the American Committee of the International Chamber of Commerce and to which Mr. Runciman referred in his very interesting speech cannot be put into practice, and that for a number of reasons. The United States of Europe: that is a fine and generous idea, but from the political point of view it clashes with our traditions and our history and with differences of language and custom; while from the economic point of view, too, it is barred by considerations of security and on account of the political upheaval which would in many cases result from it.

I am well aware that some countries are accused of being ultra-protectionist, often indeed by those very countries which, without owning to it, regularly levy much higher duties than any others.

I often think in this connection of the old Scriptural reminder about the mote and the beam.

We are as strongly opposed as anyone to tariff competition, which, as has been truly said, is closely akin to competition in armaments. The results of such a policy are bound to be deplorable. Nevertheless, as you will also realise, the total abolition of Customs barriers might engender all kinds of difficulties. How could such methods possibly be used in certain countries, when they would destroy the balance between agriculture and industry, on which the national life essentially depends? Here political must prevail over economic considerations; moreover, I note — and I view it as a sign of progress — that no one has come forward to propose general free trade. In our view, such a step would solve nothing.

I will not stop to recall the very justifiable criticisms which have been levelled against the existing diversity in Customs nomenclature. This not only constitutes a material hindrance to exporters but is often made an excuse for distorting the meaning of words and refusing fair play. This is surely a matter in which the Conference should take strong action.

It should note first that a number of industries have reached an agreement on international lines in regard to the Customs nomenclature relating specifically to them. It should lay down rules for the establishment of a general common nomenclature, and suggest that the Council of the League of Nations should carry them into effect, leaving it to the Council to entrust the work to whatever organ it may think fit.

We cannot go on working under the conditions of tariff instability that have subsisted ever since the war. When tariffs are published they should be declared valid for a specified time. No country should be free practically to close a frontier at a moment's notice by suddenly deciding to increase its duties; and I am sorry to say that this is often done by States which proclaim their free-trade

principles. But I confess that all these words appear to me to have lost their real meaning nowadays and to have been caught up in a veritable whirlwind of mad ideas.

Tariff stability can, of course, be achieved by means of commercial agreements between individual countries; but other countries may refuse to conclude such agreements. They may say to the other nations, in a wide and liberal spirit: "I grant you all equality of treatment"; but if they can modify their tariffs at a moment's notice it simply amounts to equality in misfortune ("égalité dans la misère"). The First Committee of the Conference, if it shares this view, must demand that tariffs shall be stabilised for a reasonable period and must take action and ask the Council of the League to call a diplomatic Conference for that purpose.

We now come to a third question, and one which is equally important.

There is no need for me to explain to men as well informed as the members of this Conference what different methods are followed by the individual countries in framing their commercial agreements.

An effort should be made, in our opinion, to reduce these methods to uniformity. At the same time we admit that, if we tried to do this at once, we should be putting the cart before the horse. We cannot begin to seek common methods of framing commercial agreements until uniform nomenclatures have been adopted and tariffs have attained a certain degree of stability. A single example will make my point clear. The operation of the famous most-favoured-nation clause, which has given rise to so much controversy and has so often been mentioned here, is at the present time often vitiated by "clever" (to use a polite expression) modifications of nomenclatures which lend themselves only too readily to such subtle methods. Most-favoured-nation treatment must in future be granted without any reservation, whether actual or mental.

Should this complex task be undertaken while the unification of nomenclatures is still being carried on? In some cases it should and in others it should not; the answer to the question will depend on the actual wording of the nomenclature. The various stages of this work should, we think, be mapped out now — at any rate in outline — by the First Committee. We must, of course, not deceive ourselves as to the ambitious nature of the task to which we have set our hands; what it will ultimately mean is the general modification, within a suitable period, of the methods at present in use.

Then again, many of these commercial agreements do not contain penal clauses. France, adhering to the attitude she has adopted since 1924, proposes that their execution should be safeguarded by means of arbitration clauses, disputes being referred, when necessary, to the Permanent Court of International Justice. The general adoption of this principle, which is essential if we wish to provide the different countries with guarantees for the security of their trade, will, of course, mean the institution of a new organ of the Permanent Court of Justice. Special chambers might be created to deal with litigation of this kind.

Lastly, there is the question of the tariffs themselves. In this matter neither the Conference nor any other body can override State sovereignty. Obvious though a truth may be, it cannot be put into practice until it has been accepted by the masses, and this first Conference must provide the means whereby we can repeat the truth and proclaim it anew and thus advance towards economic disarmament, which is the object of all our aspirations.

Interesting and important though these matters may be with which the Conference has to deal, we feel strongly that its efforts in this direction will only lead to the cure of certain symptoms of the disease. To repeat my simile: we shall simply have prescribed antipyrin to allay the fever. Necker used to say that political economy was like a roundabout: it was often impossible to distinguish the beginning from the end, the cause from the effect. Let us make haste to discover the true causes.

As Professor Cassel asked in his admirable speech (with which I do not wholly agree, but which nevertheless contains many useful lessons), what is the principal reason for our presence here?

If there were not four million unemployed in old Europe, not to speak of the unemployed in Russia, would so many nations have sent official representatives to Geneva? It is unemployment that we must cure; unemployment, this terrible evil with its attendant ills, demoralisation of body and soul. How are we to combat it? How are we to alleviate it? We must remember, in the first place, that it is not really due to the special situation created by the war. During the war Europe lost millions of young men fit for work, so that in any case the labour required to keep production up to the pre-war level is short by that number; yet, despite this reduction, some 10 per cent of the workers are unemployed, have become a burden on the national resources and are gradually losing the habit of regular work.

Does the cause of this unemployment lie in those difficulties relating to the circulation of goods to which I referred a moment ago, and which, of course, we all desire to remedy? Or does it lie, as M. Cassel seemed to think, in the abuse of certain monopolies?

No; such a solution would be too simple, and if we persuaded ourselves that it was the true solution and imagined that we had therefore accomplished our task, we should be wrong.

As my friend Mr. Layton said yesterday, to adopt the slogan of back to pre-war conditions would give a completely false impression of the problems with which the world is faced.

The truth is that to-day Europe as a whole can no longer sell either in the home market or elsewhere all the products that her working population can manufacture. She is obliged to maintain more than one-tenth of that population idle and, in many cases, even, to limit the hours of work of the other nine-tenths.

What is the cause of this? What has happened? That is the whole problem that we have to consider and solve.

In the first place it is clear that Europe has lost foreign customers. Currents of trade have changed. If we regard Europe as a separate entity, we are inevitably led to contrast her position with that of the United States of America.

One of the causes of the evil is the complete change which has taken place in the position of the United States. Before the war that country borrowed large sums from Europe for purposes of equipment and as a means of obtaining the necessary capital. American producers had an unrivalled home market to supply and accordingly troubled very little about exportation.

To-day, however, America has repaid its loans, and from being a debtor has become a creditor nation. She holds more than half of the gold in the world. With a remarkably shrewd anticipation of events, she has developed the power of consumption of her home market. Are you aware that in America wages are about 210 per cent above the pre-war level while the cost of living has only increased by 170 per cent? Consequently

the wages of the American worker have increased his purchasing-power, his power of consumption, by some 40 per cent. Yet, notwithstanding this increase in the power of consumption of the home market, the American producer is exporting more and more every day, and he is bound to do so at Europe's expense.

I might quote figures showing the increases in American imports into Europe, but my point is better illustrated if I take the case of the countries of South America. Our trade there is gradually declining. In Brazil, for example, Europe as a whole accounted for 67 per cent of the total imports in 1913. By 1924 this figure had fallen to 54 per cent. The same thing is taking place in the Argentine Republic and Chile.

Remember that I am not implying any criticism. I am simply stating facts. The cause is perhaps inexorable, but the effect on the distressed condition of Europe is none the less certain. I need not add that important markets such as those of Russia and China are at the present time, if not closed, at any rate unable to receive any large proportion of our production.

Let us now turn to the territory of Europe itself. Whereas productive power has increased, the power of consumption of Europe, its purchasing-power, far from increasing, has diminished.

Why? One of the principal causes is the decrease in the purchasing-power of gold. Thus, in countries which have kept a sound currency, consumption has still declined. This phenomenon is, of course, more accentuated still in countries where the value of the national currency has fallen. The reduction in the purchasing-power of gold in those countries is intensified by the fall in the value of the national currency. Many of the inhabitants — those living on unearned incomes and to a certain extent officials and even workers — have found that, while the purchasing-power of the national currency has fallen, the amount of money they have to spend in that currency remains the same or has not increased in proportion to the fall in the currency value.

Take the example of a French *rentier*, unable to earn additional income by his labour, he cannot buy one-fifth of the quantity of food and other commodities he obtained in 1914. Workers' wages, it is true, have kept more or less parallel with the increase in prices, but in all countries there has been a regular "re-grading" of purchasers and an all-round drop in consumption.

We find these views confirmed if we glance at the home consumption of certain staple products — such as cotton and wool, for example. Here, again, a very instructive comparison may be drawn between Europe and the United States. I said just now that in the American home market purchasing-power has greatly increased. As an instance of the contrast between America and France I often quote the fact that an American workman can buy a motor-car with three months' wages, whereas in France three years' wages would be required to purchase the same car. The wages are thus in the ratio of 1 to 10 or 12.

How can this situation be remedied? By winning back foreign markets? Undoubtedly, and it is imperative that steps should be taken without delay to introduce rationalisation and to reduce cost prices; but if we are to compete with the prices obtaining in countries which possess enormous home markets, the rationalisation of industries must not be limited to any one country, but must be capable of extension so as to cover the whole of Europe.

This in itself constitutes a reason for the institution of international agreements in a number of industries.

At the same time we must increase the purchasing-power of the colonies — for example, by the introduction of capital — and give the new peoples further opportunities for development.

But you will realise from what I have just said that the primary need is to increase the purchasing-power of the populations of old Europe — since as a result of the stoppage or slackening of currents of immigration they are to be forced to live in their own countries — by endeavouring to build up that purchasing-power on lines similar to, though I do not say identical with, those of the United States.

Is this easy? Is it even possible?

It would, of course, be absurd simply to change everything that is done here and adopt whatever is done over there. The conditions are not the same; the immense resources of raw materials which North America possesses give her a position which is and must remain a privileged one.

People over there are readier to take risks. In our older countries we are always afraid of and often dislike those who take risks. On the other side of the Atlantic they are helped, and even when they fail people feel for them an indulgence akin to affection. I might compare Europe to an old city where an endeavour is being made to lay out wide new streets, at the same time ruthlessly sacrificing the old church, a treasure-house of art and a sanctuary of old memories, and destroying the charm of the old familiar nooks and corners. Everything would have to be pulled down and a great deal of money spent before any result could be obtained.

This is not how we should act. We must go forward slowly and warily, step by step.

Our peoples no longer have the ardour of youth which glows in the eyes of our American friends. We have attained the caution of maturity.

On what lines then shall we proceed?

It seems to me that our only course is to organise European industry on the so-called horizontal method, that is — organise it by industries. This method alone will enable us to make the radical changes that are necessary; and so we are brought back again to agreements and cartels. Their merits will be discussed by the Second Committee. I might simply point out here that they will help to solve the question of Customs barriers — most important of all — and they will permit of the parallel and simultaneous raising of wages necessary to restore to post-war Europe the purchasing-power of pre-war Europe.

At the same time we must not allow ourselves to be carried away by all these advantages; we must be fully alive to the drawbacks of the system.

Agreements, whether they take the form of syndicates, cartels or trusts, have a very useful and necessary function to perform. In speaking of them, stress is usually laid on the profits they bring to producers, and on the power that may thereby be placed in the hands of those at the head of these organisations, which may, it is feared, rapidly become States within the State. Indeed, Mr. Robinson reminded us yesterday of the precautions which have had to be taken in his own country to prevent the abuses that arise under this system. We are not here to prescribe legislation, whether national or international, but we ought to say whether precautions are necessary.

Several of our colleagues have pointed out that their countries, not being producing countries, are afraid of being bullied. Other countries, again, whose production is still only on a small scale but is steadily growing fear that in the general distribution of production they may not receive a share commensurate with their latent possibilities of development.

The workers are afraid that, if coalitions are formed comprising masters only, they themselves will be oppressed : and lastly, the consumers, who have hitherto been dumb, may, it is claimed, eventually compel the State, as their natural representative, to intervene.

In actual fact, however, these fears will often be groundless. Everything will depend on the spirit in which the heads of these organisations act ; at the same time, precautions must be taken to make it possible to deal with those who abuse their powers.

To the numerous industrialists who are here present I would say that they must realise the profound difference which exists between private, limited negotiations and general negotiations.

Those who are wrapped up in their daily task, industrialists and business men working in their factories or offices, little realise the part played by public opinion. If they are only engaged in ordinary routine work, they never know the tyranny of that sovereign mistress of the political world — public opinion. But when the field of action is enlarged, public opinion will make its power felt, and it is perhaps here at Geneva that that power will be felt most, even spreading throughout the world. The further we advance, the more will this be the case.

Geneva will become, if it has not to some extent already done so, the place where the world's alarm signals ring, and we must instal what I might call an economic alarm-bell here.

How are we to do this ? That is a matter of opinion. For my part, I have in mind a kind of centre for information and observations. The publicity given here to certain methods or certain abuses will often in itself constitute the best possible form of penalty. Will it be necessary to constitute the permanent organ suggested by the representative of the workers ? I should prefer to leave it to the Council of the League, which has given proof of its sound judgment in so many different circumstances, to carry into effect, by means of such organs as it may decide, any specific recommendations that your Second Committee may formulate on this subject — for you will, of course, have realised that that is the task we intend it to accomplish.

Before concluding, I should like to be sure that those who represent the important interests of agriculture here are not thinking we have forgotten them. We have always held that the agricultural industry is inseparable from the other industries. Modern needs are driving us more and more to the use of machinery, but it is perhaps the most urgent task of those who guide the destinies of the peoples to maintain the balance between these two forces — industry and agriculture. In my own country, where the balance has, I am glad to say, been successfully maintained, this has perhaps enabled us to avoid many of the difficulties that have arisen since the war. Besides, the agenda of the Third Committee includes questions of co-operation and credit, and also deals with the question of organisation.

I had intended to conclude at this point ; but just now the Russian delegate, with a courtesy for which I hasten to thank him, was good enough to make special reference to me. May I venture to say that all the time he was speaking I felt I was not quite in agreement with him ? I felt that there were fundamental differences of opinion between us. I am, of course, very imperfectly acquainted with the programme of the Third International. Nevertheless, I felt that the programme which the Russian delegate laid before us was somewhat reminiscent of that programme, and, I will even venture to say, bore certain disquieting coincidences with it.

The Russian delegate referred to some plan of mine. It is one of the privileges of politicians to have many things fathered upon them, and I cannot help thinking that the Russian delegate, before discussing a plan which, in point of fact, I never submitted, would have been well advised to wait for my speech to-day. I will not, however, enter upon a detailed discussion here, or institute comparisons between one system and another, and this on account of one point in M. Ossinski's speech that specially claimed my attention. This point was also raised by M. Sokolnikoff. I refer to the familiar term, "peaceful co-existence", a term which, it seems to me, admits of the possibility of a great deal of work being carried out in common.

If we begin to discuss political problems here we should, I think, be dooming this Conference to utter failure. That is not our work, and for my part — and I hope you will not blame me for it — I am less ambitious. If you and I were to try to convince each other that the system under which each of us lives is the best, we should simply be wasting the very valuable time of the members of the Conference ; for I am certain after what I have heard that I should never bring you round to my way of thinking.

There is, however, one observation I should like to make. This morning certain figures were quoted. Now I know all about figures, and I also know how much they can be made to mean. I remember a remark — a somewhat apposite one in my case — which a great scholar once made to me. "Beware of figures", he said ; "The truth of any data is in inverse ratio to the precision of the details". I will therefore refrain from quoting any figures to confute yours.

I will simply say that it is well both for you and for us that you have come here. We have not come to Geneva to thrust our ideas and systems down each other's throats ; we must leave the judgment of these matters to posterity, which can take a more detached view of them than we. I propose accordingly that we should drop the controversy at this point, though I shall be ready to accept your challenge at any time you please, but in the right place. Who knows ? Perhaps I may convert you to capitalism.

Having disposed of that matter, I desire to say that in my view the work of the conference will not be over when your Committees present their conclusions to the present assembly. It would, I repeat, be really extraordinary to have convened the representatives of fifty nations here simply in order that they might make recommendations upon which no further action would be taken.

What action should be taken ? Must new organisations be created ? Must fresh conferences be held ? That is not for this Conference to decide. You have simply, I think, to transmit your recommendations to the Council of the League, whose sound judgment I know by experience, and to indicate to that body your desire that these recommendations should not remain a dead letter, but that you would like to see the work you have begun carried further. The Assembly of the League may possibly feel called upon to urge the Council to make further efforts ; but no, I am sure there will be no need for it to do so.

There are three facts to which I desire to draw your attention here and now.

The first is that, however individualist the nations may be, they have now, by responding to the League's appeal, given clear evidence of the bonds of union that link them one to another. No one here has disputed that fact, and it is the first important result that we can place on record.

The second is that the most prosperous nations, such as America, have not decided to remain

alone in their prosperity. Nations such as those of South America, which are perhaps less affected by the ills from which we suffer, have also come to help us. That also is important.

Thirdly and lastly, the working classes have announced here that, despite all scepticism and all criticism, they are ready to work with us publicly and to assume responsibility before the world. Responsibility for some purely negative achievement? Not so; but for constructive work. That is a great new factor which holds out the brightest hopes for the future.

Then again, whatever M. Cassel may have thought, no one here has asked for production to be reduced. On the contrary, everyone has talked of increasing it. This very morning in the hopeful statement of the first Russian speaker there were constant references to productivity and the necessity of increasing production.

The time has come, then, when we may all sing together the only real international song, the hymn to production.

It is a hymn I have been trying to sing ever since 1919. We have occasionally heard false notes from different parts of the world, but we may now be sure, I think, that we shall hear them no more. Listen to this international song, this hymn to production. You hear deep grave voices singing it: those are the voices of the workers. They sing the basic melody of the choir. It is they who set the rhythm. The harmony of the song we shall find on the shores of Lake Geneva. Let all voices join in this song, and let no one try to out-sing the others. Yet listen again. It is the song of Peace that old Malherbe sang to King Henry more than three centuries ago, in these words:

*"Le fer mieux employé cultivera la terre,
Et le peuple qui tremble aux frayeurs de la guerre,
Si ce n'est pour danser, n'orra plus de tambour."*

The President:

Translation: M. Belloni (Italy) will address the Conference.

M. Belloni (Italy):

Translation: Mr. President, ladies and gentlemen — It is a difficult matter to address this Conference after the magnificent speech which we have just heard from our eminent colleague, M. Loucheur; and it is rendered still more difficult because M. Loucheur's speech might very well be regarded as the concluding speech, summing up as it did, with the speaker's perfect lucidity of thought and word, all the arguments that have been placed before us. M. Loucheur even pointed out the path that we should follow in order to achieve definite success.

I feel it my duty, however, on behalf of the Italian delegation, to state our views on the problems, both general and particular, with which the Conference has to deal.

During the last few days the eyes of the public and of the world Press have been turned to us and our work. At the very outset, people are wondering whether this Conference will be a success, or whether we have failed in the object we set out to attain.

The opinion expressed as to the outcome of the Conference must, of course, depend largely upon the individual point of view and upon the possibilities which each of us had in mind beforehand.

It is out of the question, in my opinion, to satisfy those who are still looking for an economic miracle, but success is assured if we keep to the definition

of our Conference and the programme mapped out at the beginning by our eminent President, M. Theunis. May I remind you of the words he spoke on the first day of the Conference: "It was thought that sensible men . . . would not fail to discern — perhaps above and beyond certain immediate interests — the true, essential and permanent interests of their own countries and of the world in general"; and he went on to say: "It was thought that, when they had thus reached a common conclusion, that conclusion might usefully be published, since it would carry with it a triple authority: that of the Conference from which it issued, that of the individual interests voluntarily merged and that of the profound sincerity of which it was the outcome".

In these words of our President, in the programme that has thus been laid down for us, we find the germ of the success which is to attend our efforts and foreshadow their practical results. To begin with: for the first time since the war, there are met together in this hall not only representatives of all the countries of the world but representatives of all the forms of world economic activity.

For the first time we have with us, to our eminent satisfaction, representatives of the Union of Socialist Soviet Republics, and we have heard two extremely interesting speeches on the present situation in the Soviet Union and on the Soviet view of the solution of the world economic crisis. These speeches gripped our attention and we shall refer to them again later.

I cannot, of course, accept the schemes propounded on this platform by our Soviet colleagues, more particularly by the first representative of the Soviet Union, and, with profound deference both to his learning and to the opinions he holds, I might venture to describe his speech as a speech of contradictions. There is in fact a constant and perpetual contradiction between the programme he suggests to us capitalist nations as a solution of future economic difficulties and the present economic situation. When, for example, he contemplates the co-existence, for a time, of the industrial and the Socialist systems, he obviously has in view the end of such a period. His ideas and mine as to the way in which it is to end are obviously very different, and I trust, for the sake of Europe's welfare and Europe's future and that of the welfare and future of the whole world, that my ideas will triumph.

I do not propose to enter upon a discussion of the political or economic points raised by the speaker. I shall not deal with the political points, because it is not our business here to study political questions. At the same time I may say that on some of these political points we are in agreement, since our respective countries have resumed full diplomatic and consular relations. Among the ten points he mentioned, however, there are others that involve contradictions. When, for example, he spoke, as he did, calmly, clearly and concisely, of the necessity of reducing the military and official element and winning acceptance of the right to strike, I really began to wonder whether the political and social regime applied in the Soviet Union had profited by his counsels.

The success of this Conference is ensured not only by the fact that it comprises representatives of all the various economic systems but by the further fact that you, gentlemen, in your persons, represent the different economic schools, that you represent the theory and practice of political economy, and are thus entitled to speak as the authorised representatives of world trade and industry.

Never, I believe, before the opening of this Conference had there been assembled in a single

hall so many persons authorised to speak on behalf of the important and far-reaching interests they represent. We now have an extremely valuable documentation. We have carried on sound and, I venture to think, successful propaganda against economic egoism. We are all agreed that national egoism must be done away with, just as class egoism has been done away with within national frontiers.

We have shown that every industrial problem must be examined by every individual nation in the light of certain necessities — rationalisation, standardisation and the like — and we have agreed, lastly, that one of the most important economic phenomena, and one calling for immediate solution, is the problem of barriers to international trade, whether in the form of import and export prohibitions or in that of excessive Customs tariffs. We have, further, to consider the question of the establishment of tariffs and the standardisation of Customs nomenclature, the utility of which was so brilliantly demonstrated by M. Loucheur. Lastly, we have to deal with the most-favoured-nation clause. To demonstrate the existence of these barriers is to demonstrate the remedy, and there is no need for me to waste an instant of your valuable time in specifying it.

There is a further fact, however, which has emerged from our debates, and it is one that is of tremendous importance for our future discussions. It was noted first and foremost by M. Zimmerman of the Netherlands delegation. It was mentioned again in Mr. Layton's magnificent speech. It was again referred to by M. Loucheur. What is this fact? It is this: that all thought of a return to pre-war conditions is a pure illusion.

Several speakers have affirmed it and their affirmations constitute a reply to certain questions that have been asked on this platform. I refer in particular to Sir Max Muspratt, who, speaking on behalf of British industrialists, asked whether the British industrial situation should be regarded as a natural or an artificial phenomenon.

Mr. Layton's speech constitutes a categorical reply to that question.

It has been stated here that the industrialisation of new countries has resulted in a considerable reduction in world trade. Researches carried out in Italy show, however, that this is not correct. This continual process of industrialisation involves, in our opinion, not a reduction in world trade but a change in its orientation. We think, too, that this development in the newer countries accounts for the change in the cost of production of certain manufactured goods.

I should like now to explain our views on the question of the increased purchasing-power of consumers.

When my honourable colleague, M. Loucheur, told us, with all the authority of one of the most eminent of French politicians and one fully conversant with the economic situation in France, that the purchasing-power of French Government officials and employees was only one-fifth of the pre-war figure, he unfortunately forgot the increase in the purchasing-power of a large proportion of the working classes.

Among the population of certain European countries there has been an increase in purchasing-power and an increase in the standard of living, which is now higher than before the war. In my view, however, to postulate increased purchasing-power as a means of solving the economic crisis is to regard as a means what should more correctly be looked upon as an end. The establishment of a more stable world equilibrium and a more rational distribution of raw material, population and work are, when all is said and done, the only means

whereby we can increase the purchasing-power of the people. It would be quite wrong, however, to imagine that the artificial expedient of increasing purchasing-power should precede a natural solution of the world economic crisis.

One of the most important problems mentioned at this Conference is that of cartels and trusts.

We have witnessed a very interesting evolution of opinion in regard to this question. During the last few years, we have passed from an attitude of extreme suspicion of cartels and trusts on the part of Governments and people alike to a degree of confidence which I might venture to describe, though without intending any offence, as mistaken. Public opinion has regarded the problem of cartels as the main problem before this Conference. I would ask you, however, whether you do not feel, after these four days' discussions, that it has become rather less prominent.

I might mention the interesting speech of M. Urzua, the representative of Chile, who advanced a series of theoretical and more particularly social arguments against cartels. He urged the necessity of industrial competition in the world and also raised a most important point, namely, that small and medium-sized industries still form one of the bases of social equilibrium.

Then we had the remarkable speech of M. von Siemens, the German delegate, who had technical objections to put before us. He declared that the scope for cartels was very limited, and said that the output — in certain branches or for certain industrial products — of big firms combined in cartels does not constitute the major proportion of world production, and that the output of medium-sized and small industry was often higher than that of big industry. He thus postulated two fundamental principles which we shall find very baffling when we come to discuss cartels.

I do not intend to convey that we are opposed to cartels in principle. The system can never be admitted as a generalised principle in the economic scheme of things, even if, in certain specific and clearly defined cases, it is useful as a temporary expedient in an emergency. Let us confine ourselves to these particular cases, and not regard the question of cartels as part of a general policy.

We must bear in mind how dangerous they are for countries with an economic system which is still incomplete and which have not yet reached the economic level of other countries. We must consider the risks inherent in the "crystallisation" of economic situations; we must consider further — a point raised by a number of members of the Conference — the possibilities of outbidding and the repercussions that the cartel policy may have on a country's labour policy.

The other problem — on which we are, on the contrary, all agreed, at least as regards the necessity of an immediate solution — is the elimination of trade barriers.

M. Loucheur mentioned the efforts made by our technical organs during the last few years, prior to the Economic Conference, to settle some of the most important problems concerning commercial agreements.

I should like to draw attention to the splendid work of the International Chamber of Commerce, which proved the ability of the business men of which it is composed and their determination to find a solution for the most urgent economic problems. If, as I believe, the Conference can give a lead in the solution of these problems, it will have rendered a most valuable service.

How can it be done? We have before us a most interesting proposal submitted by M. Jouhaux. He has suggested the constitution of a special commission — M. Loucheur also raised the same question

— and proposed that an Economic Conference should be convened every three years. I have the greatest respect for M. Jouhaux, who has studied the present problem with zeal and enthusiasm. But I agree with Mr. Layton, who regards his scheme as too complex and not sufficiently elastic, and thinks it unsuitable as a means of dealing with such extremely changeable elements as are met with in the economic sphere.

A commission of enquiry into internal or international economic problems often arrives at a solution when the crisis has already resolved itself by a natural process.

Useful work can only be accomplished by organs whose aim is not to determine economic tendencies but to create conditions which will admit of natural economic development. In my opinion such an organ might be found in the Economic Committee of the League, reconstituted and modified to meet the particular objects in view.

I do not hold with M. Loucheur that we should simply refer to the Council of the League the decision to be taken on this question. We were convened by the Council to give our practical views as industrialists, business men and technical authorities on world economic problems, and it is for us, with all deference and respect, to seek the means best calculated in our opinion to provide a solution of these problems.

There is a further group of problems which I would ask you to consider for a few moments, and which concern my country in particular. I refer to the movement of population.

I would ask you to note — this point has already been raised here by Mr. Layton, M. Urzua, M. Shidachi, Mme Freundlich and M. Jouhaux — that a close connection exists between trade barriers and the movement of populations.

Obviously, in densely populated countries without natural resources, unless there is freedom of circulation all over the world, there is only one means whereby the Government can fulfil its bare duty and provide work and a guarantee of work for its nationals.

This remedy consists in the creation of an artificial atmosphere in the country, by means of a national Customs barrier or protectionist system, in order to ensure that industry, agriculture and other branches of economic activity shall be able to absorb the labour available. This, I repeat, means the creation of an unnatural, an artificial economic situation.

There is no other remedy. If to-morrow Italy were to abolish all her Customs tariffs — which some of the speakers before me have indicated as an ultimate economic aim — I cannot imagine what we should do with our workers.

During the last few years there has been a considerable increase in population in Italy. We now have social peace and we intend to maintain it. For this, however, we must find a general economic solution of the labour problem, and it must not be forgotten that certain problems peculiar to certain nations may, unless they are settled, have serious repercussions on world peace.

We shall do all that lies in our power to maintain this hardly-won peace, but we demand that the question of population should be kept in mind, and we urge that some economic solution be found, if our work is not to be in vain.

We all remember the extremely interesting statistics given by Mr. Layton, and the figures he gave showing the number of Europeans without resources; his figure of 10 millions is, in our opinion, an under-estimate. If we consider, further, the falling-off in European emigration in recent years and realise that before the war there was an average of roughly 800,000 emigrants a year for Europe

as a whole, it becomes clear that a settlement of the problem of freedom of circulation throughout the world is one of the surest means of achieving a lasting economic peace.

Again, when we come to consider the whole structure of tariffs and trade barriers, we realise that it is for the best expert brains of the future to find a solution for the serious demographical pressure in certain countries, without establishing an artificial atmosphere in trade and industry in order to protect the population as a whole.

At the same time, no solution of these problems can ever ensure perfect equilibrium in world economy. Economic life, like human life, is a process of evolution. There is a period of development and a period of decay. Some scientific discovery, the discovery of a new mineral bed or the introduction of a fresh means of transport, may revolutionise whole branches of industry and divert the main currents of international traffic from their present course.

It is idle to think that life can ever be crystallised in its present economic form. Progress in industry must have full scope, and every nation endowed with progressive qualities must be given an opportunity of asserting itself.

Emulation is a vital factor, in nations as in individuals. Our object should be not to restrain the forces inherent in individuals and nations but to co-ordinate and direct them in the interests of humanity. International co-operation between healthy productive forces inspired by a desire for mutual comprehension may produce very great results.

In my country, which achieved national unity after having been for centuries divided into a number of smaller States, the feeling of economic and political independence as between these individual parts persisted for many years. Not until after the war, when a man, who to us is the personification of our race and our confidence in the future of our country, reminded the people that it was no good gazing upon their little local church tower, that they must lift their eyes towards the vast horizons opening out before them — not until then did economic prosperity begin to dawn in Italy.

Gentlemen, it is only when every one of us has learnt to look beyond his own familiar church tower, great or small as the case may be, towards the vast horizons of international concord, that we shall really succeed in solving world economic problems and pave the way for world peace.

The President :

Translation : I call upon M. Neuclea (Roumania) to address the Conference.

M. Neuclea (Roumania) :

Translation : Mr. President, ladies and gentlemen — As head of the Roumanian delegation, I desire first of all to associate myself wholeheartedly with the statement made by my colleague Senator Stodola, the Czechoslovak delegate, concerning the essential principle that the progress of modern Europe in the path of peace and order must be on the lines of the political charter laid down in the Treaties of Peace.

To attack the Treaties of Peace at this Conference would be to exceed the actual scope of the Conference, and would, too, be detrimental to the attainment of our object.

Having said so much, I now desire to proceed with the main subject of my speech and to touch on certain questions of principle that must be

constantly borne in mind in any attempt to deal with economic problems as a whole.

As the programme of this International Economic Conference shows, we are engaged on a vast international expert enquiry into certain economic facts, the appearance of which is, in the main, due to the financial and economic disorder following the great war.

Why should there be such an international enquiry into a matter which, before the war, was simply the subject of national discussions ?

The reason is that before the war, as M. von Siemens so truly said, international conversations were held only for the purpose of solving special problems, whereas now we have to deal with the whole economic life of the different nations, our object being to determine how it can be adjusted to the new conditions resulting from the great war.

In other words, we are now considering international economic life as a whole because we have realised that economic phenomena can no longer be viewed unilaterally as a narrow field bounded by national geographical frontiers, but must be regarded at least as a part of the economic system of each continent, if not indeed of the whole world. In short, we have come to understand the economic interdependence of nations.

As early as 1920, the League of Nations, which had only just been founded, realised the dangerous possibilities inherent in the financial disequilibrium which threatened to wreck the entire civilised world, and accordingly it summoned the International Financial Conference of Brussels. This Conference elucidated the situation to some extent and passed recommendations and suggestions indicating a path — to use the happy expression of our President, M. Theunis — which enabled the nations to advance.

From that time our thoughts turned to an international consultation on economic questions, but the enormous difficulties to which such a consultation would have given rise were fully understood, and the League's advisory and technical organisation — the Financial and Economic Committee — was created with a mandate based upon the provisions of Article 23 of the Covenant of the League, which refers directly to economic co-operation.

This body was divided soon after its establishment into two Committees — the Financial Committee and the Economic Committee — which work either separately or together according to the nature of the questions under review.

On the Economic Committee, of which I have had the honour of being a member since its creation, devolved a heavy task : that of cataloguing and attempting to classify the infinite variety of economic difficulties which kept occurring in the different countries and of attempting to introduce a little order into the chaos for which the Committee had to ascertain the fundamental causes.

Thus, when certain of these questions were regarded as sufficiently ripe, the appropriate machinery of the League was set in motion with a view to the conclusion — according to the results obtained — of international conventions, protocols or agreements.

There are, however, many other questions which, despite their importance and the continuous efforts of the Economic Committee, have not yet been fully elucidated, owing either to the total absence of data on the subject, or to the fact that it was impossible to use that which had been collected, or to the absence of the data essential for a full and profitable study of the question.

Moreover, as the Economic Committee proceeded with this difficult work — sorting, sifting, classifying, and collecting information and studying

the economic questions which it had itself taken up or which had been submitted to it — it was seen that these questions were already a matter of grave concern to the experts in all countries suffering from economic disequilibrium, and that an international economic conference, that is, a large-scale consultation between experts of every nation, would be the quickest means of supplying the advisory and technical organisation of the League with full and reliable information on world economic difficulties. Further, such an investigation would not only provide accurate guidance in the solution of these difficulties, but would also furnish a basis for a real "science" of economics.

Frankly, it would be incorrect as yet to speak of any real "science" of economics. If such a science did exist, it should be able, by analogy with the so-called exact sciences, not only to explain known economic phenomena, but also to anticipate phenomena that have not yet occurred. Obviously, however — I think I may say so without fear of contradiction — this is not true of what has hitherto been called economic science. And why ? Because our mathematical material — the results of observations, or statistics as they are called in economic and sociological parlance, the figures on which any serious enquiry into economic phenomena must be based — has a most serious and fundamental defect: it is not homogeneous; it is not comparable. Every country, sometimes every official responsible for compiling a given set of statistics, employs a different method, so that very often statistics on the same subject even in the same country are not comparable. How, then, can we talk of international statistics; that is, an international survey of comparable national statistics ?

Even if countries which do not as yet possess comparable statistics realise the uselessness of arbitrary statistics and the absurdity — the expression is not too strong — of using them, and if they standardise their national methods of compilation, thus making them comparable: the whole problem of international statistics will still have to be solved. This, indeed, would have to wait for national standardisation, which means the adoption of an international methodology in statistical matters. Otherwise, to anyone who faces facts, documentation based on non-comparable data would be of no practical value, and could only be misleading and retard the creation of a real science of economics. This matter has been one of the chief concerns of the Economic Committee of the League of Nations, and for three years now a Joint Committee, comprising members of the Economic Committee, the Head of the Economic Intelligence Service, and members of the International Labour Office and of the Hague International Institute of Statistics¹, has been working on this very difficult question of the unification of methods in the matter of economic statistics. It is a problem of fundamental importance, and if it remains unsolved the elaborate and impressive statistical tables which invariably accompany any well documented memorandum will never be really worth the labour and money expended on them; their value will simply be local and national.

I would add, further, that the principles we follow in preparing statistics should be those

¹ This Committee is composed as follows: Messrs. Eug. NECULCEA, JENSEN (Economic Committee); LOVEDAY (Secretariat); SIMIAND, PRIBRAM (International Labour Office); DELATOUR, MARCH, BOWLEY, FLUX, Sir. H. REW, JULIN, RICCI, METHORST, Verrijn STUART, MATAJA, WÜRZBURGER, HANOSEK (International Institute of Statistics). M. NECULCEA is Chairman of the Committee.

employed in the preparation of tables which show data obtained by the exact sciences.

May I be allowed to dwell upon this point? We must first of all define what we are estimating and what we are measuring. We must then choose some standard international unit of measure, and apply that measure on the basis of an international system. Lastly, we must indicate the degree of accuracy of the results; that is, of the figures obtained. If these four conditions are fulfilled, specific statistics prepared at Paris, New York, Tokio, Bucharest or anywhere else will all be mutually comparable and will possess what I may call an international value. It is these exact and comparable statistics that economists should study.

Once comparability is ensured the economists can, as it were, utilise statistics like a physician, and create a real economic science, which would explain known economic symptoms, anticipate others and indicate the best means of curing or at least palliating any economic or financial malady.

Certain branches of the work of our Joint Committee for the unification of economic statistics are sufficiently advanced — for example, international trade, fisheries, prices and other indices of economic conditions, censuses of industrial production and stocks. Accordingly, the Economic Committee recently proposed to the Council of the League that a Conference should be convened in 1928 to which all Governments should be invited to send official statisticians, with a view to ascertaining to what extent each Government is prepared to apply the principles which have been laid down.

The Committee informed the Council, further, that in its opinion it would be expedient to postpone any decision with reference to a new programme for the Joint Committee until after the present Economic Conference had completed its work. Here we have a further proof of the importance of this fundamental question — the unification of statistical methods.

Assuming, then, that we are agreed as to the urgency of this question, assuring that statistical methods should be standardised, I venture to suggest briefly how the comparable statistics thus obtained may help to create a real science of economics, on the lines of the exact sciences.

We should proceed on the lines of a scientist in his laboratory. We should first endeavour, in the case of each economic phenomenon, to trace the factors which come into play and to which it owes its origin. Having completed this essential operation, we should take the various factors of the accurate, comparable statistics at our disposal and, if necessary, compile fresh statistics for the factors for which we do not yet possess numerical data. We should then, with the aid of graphs and similar devices, endeavour to determine the law of variation of these factors as functions of each other — that is, the terms of their interdependence — and this will constitute the law of the particular economic phenomenon under consideration.

This is, so to speak, the classical process which we shall have to employ, and it is the only way in which we can be sure of having a firm foundation.

It is of interest to note in this connection that economists have only recently begun to consider the big economic problems in the light of their analogy with the phenomena which form the subject of the exact sciences, and more particularly physics. I need only mention, as eminently characteristic, two of the most recent additions to the study of economic phenomena: index numbers and economic barometers.

We all know Irving Fisher's classic treatise on index numbers. The preparation of these indices — for the cost of living, economic prosperity, the economic potential, and so on — undoubtedly represents the most important and the most successful effort ever made to study economic problems by processes analogous to those employed by physicists in the study of physical phenomena.

Again, economic barometers — the name is not very happily chosen — recall the registering barometers which physical science employs as a means of forecasting certain meteorological phenomena. No one would even deny the importance of these "instruments" of economic science, which, though yet far from perfected in technique, are already beginning to provide valuable material for the study and anticipation of certain phenomena, particularly economic crises.

But here again a difficulty arises, and one even more serious than the difficulty already mentioned in connection with non-comparable statistics. It is this. Not only are the statistical data employed in establishing specific indices not comparable but, what is even worse, the actual definition of these indices varies according to the conception of the economists employing them. What would happen, I wonder, if doctors, taking a patient's temperature, all used thermometers of their own contriving, based on wholly different principles? Yet this is precisely what is being done in the case of the so-called economic barometers.

The conclusion is obvious, and the Economic Committee was not slow to grasp it. To mention only economic barometers: two rival methods for their preparation have been to the fore ever since the possibilities of up-to-date economic statistics were realised by certain countries which appreciated their value. I refer to the methods advocated respectively by Professor Young of Harvard University and Professor Wagemann of the University of Berlin.

In view of the important work already done by both schools, each in its own way, and in view of the undoubted importance of this new instrument of economic research, the economic barometer, the Economic Committee of the League convened a Committee of Experts to consider the question. This Committee, which met recently, will certainly provide us with the material necessary to determine the precise form of these barometers and the best methods of preparing them.

My remarks on the fundamental question of the standardisation of statistical methods will have made it clear that this matter is of interest to all economists, and will at the same time have shown the important work already done in this field by the Economic Committee. I was anxious to mention the part played by the latter, as the results of its efforts in this domain are less apparent, and consequently less well known, than its other work.

Before leaving this platform, I should like to sum up the other practical results achieved by the technical economic organ of the League. I should like to explain and justify its methods and to illustrate the elasticity, versatility and caution displayed in this peculiarly difficult matter.

It will be realised that the re-establishment of the world economic equilibrium is a magnificent though a stupendous task, the immediate completion of which can hardly be hoped for even by the most optimistic. World economic equilibrium, then, must be judged by the criteria applicable to mechanical equilibrium, that is, as the result of a complex of imperfectly balanced states. The advantages of this procedure are obvious, for if, in economic matters above all,

we consider the possibility of partial equilibrium, this will enable us to seek a solution of the problem of general equilibrium with a much better prospect of success.

This is precisely what the Economic Committee has attempted to do, and has partly succeeded in doing.

It was instructed by the Council to enquire into the meaning and scope of Article 23 of the Covenant of the League, whereby Members of the League of Nations undertake to make provision to secure and maintain equitable treatment for the commerce of all Members of the League. It soon realised that there was no possibility of framing an international convention to cover the whole question. It decided, therefore, to examine *seriatim* the various practices, the different factors, which constituted a flagrant violation of the principles laid down in the aforesaid article of the Covenant. The following were singled out as calling for special attention :

1. The encouragement or toleration of unfair competition by means of fraudulent commercial practices (such as false trade-marks or false indications) to the detriment of legitimate trade.

2. The maintenance of formalities and vexatious unnecessary, arbitrary or unfair procedure in the matter of Customs and other similar questions to the detriment of the trade of other Members of the League.

3. The application by any Member of the League of unfair or oppressive treatment, in fiscal or other matters, to nationals, commercial firms or companies of other Members carrying on their trade, industry or other occupation in its territory.

As regards the first of these groups, I would remind you that, after careful and discerning preparation, and after reference to qualified experts, the Economic Committee finally drew up a series of provisions designed to ensure the elimination of unfair competition in international trade, these provisions being incorporated for the most part in the revised text, drawn up at The Hague in 1925, of the Paris, Brussels and Washington International Conventions (of 1883, 1901 and 1911, respectively) for the Protection of Industrial Property.

The second class of practices incompatible with the equitable treatment of commerce formed the subject of the International Convention relating to the Simplification of Customs Formalities, which was signed at Geneva on November 3rd, 1923, and has so far been ratified by twenty-five States. You are all familiar with this instrument, the modest title of which does not adequately represent the highly important and valuable provisions that it embodies. This Convention can be summed up in five words : publicity, simplification, celerity, equality, justice.

Further, I have been interested to find that a good many of the grievances voiced by the International Chamber of Commerce in connection with barriers to international trade would automatically disappear if the provisions of that Convention were more generally and more strictly applied. It may be noted that each of the recommendations contained in the Convention constitutes the germ of a separate convention. One such convention is to be considered at an international Conference, to be held on November 14th next at Geneva, on the abolition of import and export prohibitions and restrictions — questions of immediate importance, as may be seen from the documentation prepared for this Conference and the remarks of previous speakers.

I might also mention that many clauses of the Customs Convention have been taken as models

in a number of recent commercial treaties, and that in several cases certain questions are settled simply by reference to the Convention, which is thus building up a common doctrine.

Lastly, vexatious practices employed against foreign companies and foreign nationals formed the subject of an initial series of recommendations drawn up by the Economic Committee with the object of protecting such persons and companies from arbitrary fiscal treatment and unfair discrimination. This series of recommendations was submitted by the Council of the League to all States Members, which were invited to take them as a basis for their internal legislation and international agreements. A second series of recommendations is designed to secure a maximum of freedom and equality for foreigners in the exercise of occupations or trades. This second series of recommendations was also communicated to Members of the League by decision of the Council, which, in this connection, expressed a desire to be informed whether and to what extent the States had been able to give effect to the previous recommendations.

Still with the object of facilitating international trade, the Economic Committee, observing the striking diversity in the matter of legislation, the slowness of the procedure in ordinary courts of law and the lack of precision in the rules of international private law, proceeded to consider the value of the arbitration clauses in commercial contracts, and, with the help of a special body of experts, drew up a Protocol which has been open for signature by all countries since September 24th, 1923, and has so far been ratified by thirteen States. This Protocol ensures the validity of the arbitration clause and of the arbitration agreement in contracts concluded between nationals of different countries. It does not ensure the enforcement of arbitral awards given abroad, but this matter is about to be remedied. The Council of the League has now before it a proposal that the agenda of the next ordinary session of the Assembly should include the question of opening for signature a supplementary Protocol designed to secure the enforcement of foreign arbitral awards, on certain conditions. If the Council authorises the inclusion of this question in the agenda of the next ordinary session of the Assembly, the new Protocol might be opened for signature by the States in September 1927.

I cannot attempt, however, to enumerate here all the questions that the technical economic organ of the League has already examined or is now investigating. I merely wished to point out how these international economic problems, which seemed in their complexity to defy solution, have been partially solved in various forms appropriate to each particular case, and how the consequent re-establishment of partial equilibrium in various spheres has contributed to the restoration of perfect equilibrium, which can only be achieved by completing the sum of these partial measures — the goal towards which the efforts of this Conference must be directed.

These forms are three in number : recommendations, protocols and conventions, according to the possibilities of each particular case. But whatever the nature of the conclusions reached by the Economic Committee, they have always been preceded by exhaustive enquiry, demanding much time and labour and frequently resulting in the creation of new methods, fitly regarded by the achievement of positive results.

Those who expect a vast international Conference such as this to have as a result the complete solution of all the present difficulties or, on the other hand, to invalidate the very principle of international

economic conferences, are doomed to disappointment, because they fail to realise how little had been done before the war in the field of so-called economic science. The little we knew, or thought we knew, then in the matter of economics was so inadequate that none, or practically none, of the present economic problems could possibly have been solved. Hence we must set about building up a real economic science which will provide us with a key to the baffling economic problems of the present day.

We are faced at the moment with a vast collection of economic problems for which we cannot hope at once to find a general solution. But we are endeavouring, as I have already explained, to find partial solutions. Some of these the economic organ of the League has already found. Circumstances have not always enabled it to select what it regarded as the ideal solution. Let us help it, by means of our documentation and suggestions, to find more. The present Conference has, I submit, one important duty to fulfil, and that is to indicate to the Committee the tendencies prevailing in the different circles from which its members are drawn. I think the Conference might greatly facilitate the Committee's future work by indicating which points appear to lend themselves to agreement and how far agreement is possible. When we have more of these partial solutions, it will be found that we are drawing nearer and nearer to the general solution, the ideal solution, which we cannot hope to find yet.

The economic phenomena caused by the present state of disequilibrium have frequently been compared with actual diseases. It was only natural, therefore, that there should be a tendency to demand specific remedies. Unfortunately we cannot expect the present Conference to provide these remedies. We have not got as far as that. We have as yet found no internal remedy for economic ills. First, we must study the disease from which our individual economic systems are suffering; we must devise the economic instruments to diagnose it. We shall no doubt invent a sphygmometer for taking "economic" pulses, and some sort of thermometer for measuring "economic fever". Already the Economic Committee is engaged in selecting an economic barometer to foretell and so prevent crises. But as for panaceas, they do not exist, and non-experts who are following the work of the Conference must realise and remember this.

That does not mean, however, that we propose to stand idly by; the present Conference will prove the contrary.

The President :

Translation : M. Klavitter (Free City of Danzig) will address the Conference.

M. Klavitter (Free City of Danzig) :

Translation : After listening to the views of the representatives of the big States, some of them very big States, concerning the re-establishment of normal international economic relations, may I venture to say a few words about the Free City of Danzig — a political entity which only came into being on January 10th, 1920 — and its economic experiences ?

Mr. Layton, in his admirable speech yesterday, pointed out that the disintegration of Central Europe created special difficulties as regards the establishment of new formulas and new relations in the economic sphere. The Free City of Danzig, which is the smallest of these fragments, suffers particularly as the result of this state of affairs, for as a maritime port it depends on its hinterland.

It is separated from it, however, on one side—the German side—by the barrier of high Customs tariffs. On the other side, the regime is the same as that of Poland, under the tariff agreement.

Danzig is a city of 300,000 inhabitants. For centuries, geographical and economic considerations have led it to pursue a policy of freedom of trade. Now, however, owing to the Customs agreement with Poland, normal relations have been interrupted and the city is obliged to adapt itself, in the matter of trade and industrial and agricultural production, to a market which does not possess a stable currency.

Having successfully overcome the inflation crisis in 1923, the Free City has now established a sound currency.

The difficulties arising out of the requirements of a maritime port for freedom of trade and the protectionist policy of the States of new Europe have placed Danzig in a most disadvantageous situation.

The representatives of the Free City welcomed the invitation to participate in the World Economic Conference, especially as they venture to hope that, Danzig being the protégée of the League, her interests and wishes will be given particular consideration.

All progress in economic policy, leading as it must to agreement between the nations, stimulates and strengthens our confidence in a better future.

The President :

Translation : M. Serrarens (Netherlands) will address the Conference.

M. Serrarens (Netherlands) :

Translation : Mr. President, ladies and gentlemen — In the days when economic life was almost entirely confined within the narrow limits of the town or the nation, the frontiers of the political unit could also form the frontiers of the economic unit.

Even to-day, production, trade and transport are still to some extent confined within a specific locality, district or country. The development of modern transport, however, has brought about an exchange of goods between the different countries of the world. This interdependence is alike beyond dispute and beyond the power of the most drastic legislation to prevent.

But, since no nation is self-supporting, co-operation is essential. The world economic system, thrown out of gear through lack of co-operation, can only be repaired by the joint effort of all the economic forces now at work.

The representatives of the Christian Trade Unions present at this Conference, for whom I have the honour to act as spokesman, are of opinion that the aim of all economic activity should be to supply the real needs of mankind. A sound world economic system is only possible if production for the world market, and international trade and transport, are regulated by agreements between those engaged in them.

Within these limits, production should secure that every man who contributes, irrespective of his nationality, class or race, shall have a just and equitable share of the fruits of the earth.

Taking as we do this view, namely, that man is the centre of economic and social life — a view which can only be translated into fact by the sincere co-operation of every nation, continent and economic group, inspired by principles of justice — we welcome the proposals put forward with a view to the elimination of the countless obstacles to world trade.

Like President Wilson, we should be glad to see the removal of all economic barriers, but it would be over-ambitious to attempt to achieve this object all at once.

Even at this stage, however, co-operation among the nations of Europe might bring about the abolition of import and export prohibitions, put a stop to the constant raising of Customs tariffs, win general acceptance for the most-favoured-nation clause, facilitate travel and introduce equality of treatment for foreigners and nationals. There are other barriers, but I do not propose to name them all.

Doubts have been cast upon the possibility of reaching an economic *rapprochement* by means of treaties. Instances have been given of the meagre results of the international negotiations of recent years. We might well say of countries what Goethe said about the power of women: "If only States realised what they could do as they would!"

There are other forms of economic *rapprochement* that are much easier to achieve. These, so far as they relate to specific classes of goods the production of which is a matter of world concern, may be of great importance in the organisation and strengthening of the world economic system.

The representatives of the Christian Trade Unions are not opposed in principle, therefore, to these agreements between employers in the form of national or international cartels or in other forms. They would wish, however, to point out that the danger of these agreements is that the small group of producers concerned may be guided too exclusively by their own group interests, instead of realising that the business of production is to serve the general interests, to which it should remain subordinate.

That is the danger of all monopolies, and the employers know as well as we do that labour monopolies are not the most formidable that they have to face; they know how much they have to fear from monopolies of raw materials, or semi-finished goods, or industrial credits.

National and international cartels, with their division of labour and their scientific organisation of labour, may perhaps lead to a further increase in unemployment, that curse of the working classes which always accompanies lack of economic equilibrium.

With a view to safeguarding general interests, the Christian Trade Unions advocate permanent co-operation between Governments, industrialists and workers, either in the form of a world economic institute or by some other suitable means.

They are of opinion that labour — which constitutes so important a factor in the economic system — does not yet occupy the place in economic life to which it is entitled. They note, perforce, that even at this Conference the various labour movements are less fully represented than might have been expected.

They demand that whenever, in economic questions, the directors of enterprises meet together in the name of industry, trade and agriculture, to make proposals, exchange opinions or take decisions affecting the important interests of production, the workers shall also be consulted.

In particular, they demand that the workers shall be represented in the different national and international cartels themselves, since the primary interests of the working classes are always at stake in these consultations. It should not be possible to take decisions concerning the workers over their heads.

The scientific organisation of labour may render important services to economic life, provided that it is not designed simply with a view to a maximum

output. We must never lose sight of the fact that the individual is something more than a wheel in a complex machine: we must see that the psychic reactions of the part he is forced to play in the new system do not injure his morale.

The organisation of economic life, which old Europe has to undertake, will only produce its full effects if the necessity of raising the workers' standard of living is kept constantly in mind, and this for both social and economic reasons.

On the one hand, conditions of labour should not be detrimental to the morale, the human dignity and the health of the workers: they should be such as to permit the worker to fulfil his duties to God, his family and society and to develop his own personality.

Further, the improvement of the standard of living of the workers, who constitute the great mass of the consumers, will increase the purchasing-power of the European peoples and thus make up for the foreign markets lost as the result of the economic developments of the last few years.

In connection with the improvement of working-class conditions, special mention should be made of international conventions — an important aspect of the work carried out at Geneva. Provided they are ratified and applied on an international scale (particularly in the case of the eight-hour day), these will serve to eliminate one of the greatest obstacles to international economic restoration.

In our opinion, even if this Conference is unable to achieve direct and immediate results, it will at all events perform a very valuable service if it produces a spirit of co-operation between all nations and all groups of producers. The workers are ready to assist to the utmost of their powers.

The President :

Translation : The Marquis de Vogüé, President of the International Commission on Agriculture, will address the Conference.

The Marquis de Vogüé (President of the International Commission on Agriculture) :

Translation : Mr. President, ladies and gentlemen — My thanks are due to the President of this Conference, first, for having invited me, as President of the International Commission on Agriculture, to attend the Conference and, secondly, for having allowed me to close this debate. My only claim and my only ambition is to express in this assembly, side by side with the distinguished Government representatives, the views of the agriculturists of the world, who have overstepped political frontiers and united to defend the general interests of agriculture.

Their views are in general accord with those set forth by the majority of the speakers at this Conference. They form the subject of a declaration — already referred to yesterday and again to-day during the general discussion — which was adopted by the International Commission on Agriculture at Paris on March 23rd last.

There is one point which we think has perhaps not been sufficiently clearly brought out, and I should like to say a few words about it. Various speakers have alluded to the interdependence of agricultural and industrial interests; and it is quite true that the farmer provides the manufacturer with most of the essential materials he requires, and offers an important market for his manufactured goods.

While, however, this is universally accepted in theory, we do not think that the logical consequences or practical necessities of the situation are being taken sufficiently into account in plans for future reconstruction.

Some industrialists are too apt to regard agricultural commodities, notwithstanding the labour and effort required to produce them, simply as raw materials.

It has not perhaps been realised that the main cause, or at any rate one of the main causes, of the present economic difficulties is that in nearly every country, since the war, industry has gained ground at the expense of agriculture. With its improved labour conditions and higher wages, industry has offered a higher standard of living than agriculture could provide.

It is not surprising, therefore, that agricultural workers, seeking, reasonably enough, to improve their position, have abandoned and are still abandoning the land in the hope of finding more remunerative work and a less strenuous life in industry.

The natural result has followed quickly enough; large numbers having abandoned the land, agricultural production has dropped and the prices of agricultural products have inevitably risen.

This danger, which is most serious in countries with a small population, may appear less grave in those which have a surplus of labour. But, in either case, the economic effects of the lower standard of living among agricultural workers are equally disastrous. The drop in their purchasing-power is a constant menace to industrial production—a fact which no one realises more clearly than some of the industrialists themselves. The Boston Chamber of Commerce, for example, alarmed by continual complaints from American farmers, took the somewhat surprising step last year of opening a campaign for higher agricultural prices; it realised that the fall in the purchasing-power of the farmers would inevitably hit its own members.

Without enquiring sufficiently closely into the real cause of the rise in the cost of living, most countries have attempted to arrest it by artificial means, regardless of the natural and normal relation between the producer's remuneration and his output. If this course is continued, the economic crisis is bound to become still more acute.

In order, therefore, to end the crisis and promote general prosperity, it is vitally important that this consideration should be borne in mind in the reconstruction schemes put before us by those who have to shape the future of mankind. Agriculture is beyond question the essential and fundamental industry of the world. Moreover, its claims are not excessive. If agriculture is to increase its output, it must be remunerative, and prices must be high enough not merely to cover the costs of production but also to raise the workers' standard of living so that it may not remain inferior to that prevailing in industry. Every obstacle to the movement of agricultural produce should be removed, so far as this is possible without endangering the vital interests of any country or of its workers. It is in order to dispose of some of these obstacles that agriculture is moving towards agreement with the co-operative organisations; indeed, agriculturists themselves are finding that co-operation affords the soundest remedy for all their difficulties.

The International Economic Conference will have rendered most valuable service to the cause of prosperity and well-being in every nation if it brings out the preponderating importance of agricultural questions in the world economic scheme, and if its discussions lead to conclusions which will give farmers some grounds for the hope that in working for others they may be allowed to gain a fair livelihood for themselves.

OPENING OF THE FIRST AUSTRALIAN PARLIAMENT AT CANBERRA: MESSAGE OF CONGRATULATION.

The President:

Translation: The Australian delegation has informed me that on Monday next, the 9th, the Duke of York will open the first Australian Parliament at Canberra, which will then be proclaimed the new seat of the Commonwealth Government.

I am sure you will wish me to convey our congratulations to the Australian Parliament. (*Assent.*)

NINTH MEETING

Held on Saturday, May 21st, 1927, at 3 p.m.

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ADOPTION OF THE REPORTS OF THE COMMITTEES.

President: M. Georges THEUNIS

SUBMISSION OF THE REPORT OF THE COMMITTEE ON COMMERCE.

The President:

Translation: I invite M. Colijn (Netherlands), Chairman of the Committee on Commerce, and Mr. Norman Davis (United States of America) and M. Gerard (Belgium), Rapporteurs, to take their places on the platform.

M. Colijn (Netherlands), Chairman of the Committee, will address the Conference.

M. Colijn (Netherlands), Chairman of the Committee on Commerce:

Mr. President, ladies and gentlemen — I have much pleasure in submitting to you for approval the report of the Committee on Commerce.

I am happy to say that this report was unanimously adopted by our Committee. That does not mean, of course, that every word contained in it reflects perfectly the personal opinion of all the members of the Committee. Some of us, if we had had our way, would have liked to use more forceful terms in some of the recommendations and resolutions; others would perhaps have preferred some attenuation. These differences of opinion have sometimes made it necessary to scrutinise words at some length, until we could find an expression upon which we could all agree. As a result, we are now able to submit to you a report which contains the expression of a carefully balanced opinion.

Speaking on behalf of my colleagues of the Committee on Commerce, I think I am entitled to recommend you to adopt our report in the same spirit in which it was adopted at the plenary sitting of our Committee yesterday afternoon.

SUBMISSION OF THE REPORT OF THE COMMITTEE ON INDUSTRY.

The President :

Translation : I invite M. Hodáč (Czechoslovakia), Chairman of the Committee on Industry, and M. de Peyerimhoff (France) and M. Pirelli (Italy), Rapporteurs, to take their places on the platform.

M. Hodáč (Czechoslovakia), Chairman of the Committee, will address the Conference.

M. Hodáč (Czechoslovakia), Chairman of the Committee of the Industry :

Translation : Mr. President, ladies and gentlemen — I have the honour to submit the report of the Committee on Industry.

I desire first to point out that — contrary perhaps to what was originally decided — the Committee dealt primarily, not with industrial agreements, but with general questions relating to rationalisation, that is, the scientific organisation of work and production; or, in other words, the actual problems now before this Conference.

The fact that there is considerable unemployment and that tools and plant are lying idle might lead some people to imagine that the economic malady of Europe is over-production.

As a matter of fact, over-production is a relative phenomenon. We speak of over-production in some specific economic branch when the output in the other branches is not such as to admit of a properly-balanced exchange of goods and when there are serious obstacles to the operation of such exchanges. The report of the Committee on Commerce deals with the difficulties existing in the sphere of commercial policy.

As regards the Committee on Industry, we may take it that the development of trade may become possible when costs of production, selling prices and general expenditure are reduced, not only in industry but in every other branch of economic activity. The Committee has accordingly submitted a resolution in which methods generally known by the comprehensive title of rationalisation are recommended for every branch of production, because partial rationalisation might have unfortunate results.

If we succeed in reducing costs in every branch of production and distribution, more particularly in transport, and if we can save time by reorganising the work, we shall be able to improve trade and raise the profits of those engaged in production.

This idea has formed the basis of all the Committee's studies, more particularly in the matter of industrial agreements.

Subject to certain reservations which will be mentioned later, we may say that the report now

before you is the result of collaboration between all the representatives of the great interests concerned, and that it has received the unanimous approval of the Committee.

May I add one word in conclusion? Our report contains only a few definite and specific proposals; it consists for the most part of general recommendations. These recommendations are not intended primarily for legislators or Governments but for individuals.

During the course of its work the Committee on Industry strongly felt the necessity of bringing home to the individual consciousness certain essential principles. Any successful results in this particular sphere must depend essentially on the efforts of those who have to organise and co-operate in production, and on the efforts of the workers. This is an individual responsibility for each one of the elements concerned in production. It was with this idea in mind, ladies and gentlemen, that I accepted the invitation to submit the report of the Committee on Industry.

SUBMISSION OF THE REPORT OF THE COMMITTEE ON AGRICULTURE.

The President :

Translation : I call upon Dr. Frangesch (Kingdom of the Serbs, Croats and Slovenes), Chairman of the Committee on Agriculture, and M. Hermes (Germany), Rapporteur, to take their places on the platform. Dr. Frangesch (Kingdom of the Serbs, Croats and Slovenes), Chairman of the Committee, will address the Conference.

Dr. Frangesch (Kingdom of the Serbs, Croats and Slovenes), Chairman of the Committee on Agriculture.

Translation : Mr. President, ladies and gentlemen — I have the honour to submit to you for approval the resolutions of the Committee on Agriculture, which were unanimously adopted by that Committee. They do not in any way affect the resolutions of the other Committees.

Our proposals refer to agricultural credit and co-operative societies, and embrace generally all questions of interest to agriculturists.

We are glad to find ourselves in complete agreement with the other Committees, and you will perhaps allow me to express my gratification at these results, which are due to the collaboration of all those interested in production.

EXAMINATION OF THE REPORTS OF THE COMMITTEES.

The President :

Translation : M. Jouhaux (France), Secretary-General of the Confédération Générale du Travail, will address the Conference.

M. Jouhaux (France) :

Translation : Mr. President, ladies and gentlemen — I regret that I am obliged to mar the harmony that has so far been apparent between the Chairman and Rapporteurs of the different Committees, but I feel it my duty to submit certain reservations as regards the motion relating to industrial agreements.

It is far from my intention to question either the fact of these agreements or the value of that fact. It exists, and I note it. But having done so I cannot solemnly recommend, in an assembly such as ours, a suggestion of this nature which is

unaccompanied by the essential corollary — supervision.

I do not propose to go into details, having already explained my views at great length when I first addressed the Conference. I simply wish to point out that, although international supervision is as yet unknown, various systems of national supervision are already in operation which have invariably proved their value and utility. My contention is based not on theory but on fact, so that it must be apparent to every logically minded person that national and at the same time international supervision are essential whenever we decide in favour of industrial agreements.

I have no fault to find with the motion submitted to you, nor do I deny the value of the work now placed before you; but I feel personally that vague literary formulas should have no place in an assembly such as this.

Reference has been made to technicalities and technicians. I should have liked some mention, in technical language and in terms comprehensible to technicians, of the possibilities of national and international supervision.

One last word. It would, in my opinion, be regrettable if the lack of effective, but at the same time elastic, international supervision meant that consuming and producing countries might ultimately find themselves plunged in an economic conflict which, because the Conference had failed to provide for some such system of supervision, might become really dangerous and lead to consequences far more violent and far more prejudicial to dignity and liberty than supervision itself could ever be. The natural outcome of such a conflict would inevitably be dilatory measures, which invariably leave behind them bitterness and regrets, or forcible measures, which provide no solution. For these reasons, I propose to abstain from supporting the motion concerning industrial agreements, as I consider that supervision is possible and not impossible.

The President :

Translation : Dr. Sečérov (Kingdom of the Serbs, Croats and Slovenes), will address the Conference.

Dr. Sečérov (Kingdom of the Serbs, Croats and Slovenes) :

Translation : I have the honour to make the following statement on behalf of the Serb-Croat-Slovene Delegation to the International Economic Conference.

We approve the general trend of the economic tendencies embodied in the resolutions of the Conference, and we trust that the principles formulated as the result of co-operation between the representatives of forty-eight nations will promote the economic welfare of the world. But the great dislocation of world economic conditions resulting from the world war must be readjusted to meet the new situation, and this can only be done if complete liberty is ensured for all the productive forces, not only in the greater, but also in the smaller, units.

Our nation fought for and won its liberty in the world war. What we want now is peace, to enable us to complete the process of reconstruction by developing the productive powers of our country. This has been our object ever since our new State was founded. During the period immediately following the Great War we lacked the bare necessities of life. This shortage applied to all classes of products, whether agricultural or industrial.

The small supply and the great demand stimulated production during the post-war period. We not only imported goods, but we tried to produce

them; and we did produce goods during this first period, and that without resorting to high tariffs. It was only in 1925 that we introduced the new Customs tariff, and then simply as a basis for commercial negotiations. We quite realised that Customs barriers form an obstacle to international co-operation, and are now, accordingly, reducing these barriers in every new commercial treaty. Thus our tariffs are not designed in a purely protectionist spirit, and will not form an obstacle to commercial relations with other States.

Our hope is that, as the Conference recommends, the nations will take measures to remove or lower these Customs barriers which so greatly hamper trade, and this result we hope to achieve by means of commercial treaties with all neighbouring States. We desire to promote liberty of trading by every means, to remove import and export prohibitions and restrictions, and to reorganise the State enterprises and put them on the same footing as private enterprises. The simplification of Customs tariffs, the unification of tariff nomenclature, and the stability of Customs tariffs are such obvious *desiderata* that no one would wish to deny the usefulness of the recommendations relating to these questions. The same applies to the application of tariffs, Customs formalities and trade statistics.

Our industry is for the most part fairly new, having been founded within a comparatively recent period. It is placed at a disadvantage :

(1) Because our industrial enterprises have to include in their balance-sheets heavy expenditure on amortisation ;

(2) Because they are suffering from lack of capital ; and

(3) Because they have not enough skilled labour.

But the development of our industry was not due to currency inflation, as many have thought. It was an economic necessity, for our industrial enterprises absorb our surplus population. It bears an intimate relation to our emigration problem. About 600,000 of our nationals have emigrated to the United States, and close upon 400,000 are scattered all over the world. That is a comparatively high percentage of our population, which does not number more than 12,000,000. It is therefore an economic necessity to supply work for the people who are compelled to remain at home by reason of the restrictive immigration measures adopted by certain countries. True, the development of our industry is the outcome of rationalisation and standardisation, and of the conclusion of industrial agreements, but it must be regarded at the same time as a means of employing our surplus population. We are glad, therefore, that the Conference has considered the questions of the nature of subsidies and of dumping, as this latter practice has greatly aggravated the situation in certain branches of our industry.

In my opinion, the measures recommended in the resolutions concerning dumping do not, I regret to say, appear likely to prove very effective. As regards discrimination in transport conditions, I desire to submit reservations concerning the details of certain of the recommendations to be found in the memorandum of the International Chamber of Commerce on trade barriers. Some of these recommendations are not consistent with the treaties of peace or with international conventions.

As I have pointed out, our surplus population is employed in industry, since agriculture cannot supply it with work. Yugoslavia, in its economic structure, is essentially an agricultural country.

Its agricultural production is considerably in excess of its requirements, and the surplus has to be exported to the different markets of the world, more particularly to the Central European States. In the world markets our agricultural products have to face fierce competition from other countries. Our agricultural costs of production are higher than those of certain other countries; for various reasons it is essential for us to intensify our agricultural production and thus reduce the cost per unit. This can only be done with the help of capital, and our agriculture must be able to obtain cheap credits.

We are very glad to see that our recommendations concerning the importance of raising the purchasing power of the agricultural population were accepted at a plenary meeting of the Committee and are now included in the resolutions of the Conference. It is our hope that if the standard of living among the agricultural population is thus raised, this will also benefit the lending countries, as the development of production and the raising of the purchasing power of borrowing countries will increase the demand for industrial products. We trust that, in conformity with the recommendations contained in the resolutions of this Conference, we may be able to increase our production, develop our trade, and thus contribute towards the general prosperity of the whole world.

I venture to hope that the work of this Conference will not merely remain a collection of extremely useful theoretical recommendations, assembled by the efforts of the League, but that the responsible Governments will take them as a basis for their future economic policy.

The President.

Translation: M. Khinchuk (U.S.S.R.) will address the Conference.

M. Khinchuk (U.S.S.R.):

Translation: Mr. President, ladies and gentlemen — The Soviet delegation had themselves compelled to vote against the following resolutions put forward by the Committee on Commerce:

I. Liberty of Trading.

1. Import and export prohibitions and restrictions:

The Soviet delegation has stated on more than one occasion that this resolution fails to take into account the Socialist system in the U.S.S.R. and the foreign trade monopoly which forms an integral part of that system. Hence the resolution is obviously inapplicable so far as the U.S.S.R. is concerned.

2. Commercial equality of State enterprises and private enterprises:

The same considerations apply with equal force to this resolution. The Soviet Union cannot abandon the principle of the sovereignty of the State over commercial enterprises abroad, although this does not apply to other organisations of the U.S.S.R. engaged in commerce abroad.

4. Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another:

The U.S.S.R. cannot accept the principle underlying this recommendation.

II. Customs Tariffs.

3. Stability of Customs tariffs:

The Soviet delegation is obliged to vote against this resolution, as the amendments which it submitted have been rejected.

This also applies to the resolution concerning tariff levels (*Paragraph 1 of Chapter III. Commercial Policy and Treaties*).

The delegation of the U.S.S.R. will abstain from voting on the following resolutions:

I. Liberty of Trading.

3. Legal provisions or regulations relating to international trade.

III. Commercial Policy and Treaties.

3. *Export duties* — the amendments proposed by the U.S.S.R. having been rejected.

IV. Indirect Means of Protecting National Trade and National Navigation.

3. Discrimination arising from the conditions of transport.

The delegation of the U.S.S.R. will vote in favour of the following resolutions:

II. Customs Tariffs.

1. Simplification of Customs Tariffs.

2. *Unification of tariff nomenclature* — subject to the reservation that the Soviet Union cannot subscribe to the invitation addressed to the League of Nations.

4. Application of tariffs.

5. Customs formalities.

6. Trade statistics.

III. Commercial Policy and Treaties.

2. Fiscal charges imposed on imported goods.

4. *Commercial treaties* — subject to the above-mentioned reservation concerning the invitation addressed to the League of Nations.

IV. Indirect Means of Protecting National Trade and National Navigation.

1. Subsidies, direct or indirect.

2. Dumping and anti-dumping legislation.

The President:

Translation: M. de Narváez (Colombia) will address the Conference.

M. de Narváez (Colombia):

Translation: Mr. President, ladies and gentlemen — Since the beginning of the Conference, and during the deliberations of the Committee on Industry, of which I was a member, frequent reference has been made, in a number of very interesting speeches, to the United States of America and the lessons which might be learned from the industrial methods of that country with a view to improving European industry and thus helping to solve the economic problems of Europe. But not a word has been said of South America and of the immense resources which that continent offers for a general solution of these problems. Although, as regards the organisation of European industry, it is natural that all eyes should be turned to the United States; yet, as regards the solution of problems such as surplus population, unemployment, increase in the consumption of European industrial products and the unequal distribution of natural resources, South America, and my own country in particular, offers extensive possibilities of co-operation and a vast field of action.

Colombia's exports, which consist exclusively of raw materials, amount in value to about 85

million dollars per annum ; they include oil, rubber, gold, platinum (of which we have been the greatest producers in the world since the drop in Russian exports) and many others.

We consume foreign manufactured products amounting in value to about the same figure. Whereas you suffer from over-population and unemployment, we are short of labour, and we do not limit or restrict immigration. The immense task of supplying the country with industrial plant — which, however, is making rapid progress — the construction of railways, roads and ports, and the regulation of navigable waterways, in vast areas which can offer labour to a population many times larger than the unemployed of Europe, — these are of undoubted interest to European industry, to European emigration, and possibly, too, to European capital. For although the New York market is fully open to us, and in the course of the last few years close on 100 million dollars have been invested in Colombian securities on that market, about one-third being in the securities of private enterprises, certain acts of intervention on the part of the Department of State in the internal affairs of some countries of Latin America have inspired us with apprehension and have led us to desire to spread our securities over a number of markets.

In view of these general considerations, I submit that the League of Nations would be rendering a very great service if, continuing the work of the Conference, it investigated the best methods of approaching the study of population and emigration questions and the vital problems which have not been placed on the present Conference's agenda, with a view to finding appropriate solutions for them. Unless these problems are solved, the League can hardly hope to attain universality or to come within measurable distance of its initial aim, that of placing the foundations of world economy on a sound and permanent basis by removing the causes which lie at the root of innumerable conflicts.

The President.

Translation : M. Gautier (France) will address the Conference.

M. Jules Gautier (France) :

Translation : Mr. President, ladies and gentlemen — Now that this first International Economic Conference is drawing to a close, the French agricultural representatives, convinced that, both in principle and in policy, they are in full accord with the other agricultural delegations here, are anxious to make clear the general principle emerging from the discussions of the present Conference.

I do not intend, of course, to comment on the resolution proposed by the Committee on Agriculture, a resolution which embodies all that is essential in our programme. It speaks for itself. Its purport is quite clear : it states simply and emphatically that there must be full and complete equality as between industry, commerce and agriculture ; that agriculture is an essential element in the world economic system which has been wrongly classed as unimportant, but is now conscious of its power and refuses to be ignored ; that by co-operation, by mutual credit, by the promotion of trade and the stabilisation of prices, by technical improvements, and above all by the bodily vigour of those who live in the open air, by the common sense, tenacity of purpose and sterling qualities of the tillers of the soil, agriculture intends to take, and keep, the prominent place which is its due under the social conditions of the modern world.

Lastly, the resolution declares that all laws ensuring the welfare of workers in industry and commerce should — in a form suitably modified, but untouched as regard fundamentals — be extended to agricultural workers.

International and national congresses have from time to time put forward recommendations to this effect. What was wanted was to collect them and incorporate them as it were in the form of a single doctrine. That is the duty we are solemnly fulfilling here, not as mere theorists, but as practical men conscious at every turn of reality in its starkest and most unescapable form — conscious, I mean, of our daily dependence on the forces of nature, whose moods we can neither predict nor control.

But the new and important fact on which we must focus public attention is that we agriculturists are now here side by side with the representatives of industry and commerce, to whom the road to Geneva has long been familiar ; that the League of Nations realises that the vast forces of labour and production which we represent can no longer be shut out from discussions on world economy — in a word, that we have at last been recognised as an organised force.

Agriculture is no longer what it was before the Great War — a drudge, ceaselessly toiling, a Cinderella forgotten as soon as all our wants are supplied. It realises even more clearly than before what its duties are. It knows that it is the great producer which has to feed mankind, and it is anxious to produce abundantly so that all may have their fill. But nowadays it demands to sit down at the common table ; it makes its voice heard : it discusses its rights. Everywhere throughout the world, in every clime, in every country, in old and new States alike, a new and varied harvest has sprung up. Syndicates, co-operative societies, mutual benefit societies, groups and associations of all kinds have been formed which represent, guide and protect the millions of human beings who, in one capacity or another, are cultivating the soil. In these associations, freely formed and freely governed, and jealous of their freedom, all are equal ; and they are united throughout the world by the moral link which they themselves have freely and voluntarily forged.

The League of Nations has opened its doors to them, and they have come to offer it their free, frank and generous collaboration.

Now that all human activities are being concerted under the auspices of the League, the centre of all good-will, now that the circle is complete, nothing can ever break this unity.

Moreover, agriculturists have, perhaps more than anyone else, good reason to employ their strength and courage in promoting the realisation of the League's ideals. These walls still resound with the echo of the great voice that in September last adjured the peoples to renounce hatred and fratricidal strife, to cease to cast human endeavour, with its demand for life and growth, into a welter of destruction and death. Our own voices, modest yet firm, echo M. Briand's words. Listen ! From every country of the earth it rises : from the plains where the golden corn is ripening ; from the fields where countless herds are grazing ; from mountains and valleys ; from the humble furrows tilled by the poorest husbandmen in every country it rises, it swells, it mounts to high heaven in ardent, earnest entreaty — the prayer of those who till the soil calling for peace on earth.

Peace ! That is the final goal of our endeavour. It is the vital element, the very condition of our existence. It preserves for us the frail flower of hope. How can we go forth in confidence to sow unless we are sure that we shall reap the

harvest? If we are to improve our methods and increase our production we must have, perhaps not certainty — that, alas! is impossible so long as human passions are given free rein — but at all events every guarantee of probability that war is not lying in wait, like some wild beast ready to pounce upon us, that man, overwhelmed by dire disaster, is not to revert to barbarism and to be forced to toil once more along the painful uphill road to civilisation which it has taken him so many centuries to climb.

The League of Nations has convened this Conference to study the means of preventing such a catastrophe and of eliminating the most dangerous causes of conflict that exist at the present time — economic antagonisms. We have all worked together loyally at this formidable task. And when we return to our homes, let us preserve and cherish the spirit that has inspired us here. Let us inculcate it in those around us; let us continue to inspire in the masses of mankind, of whom we are as it were the epitome, the collaborative spirit that we have created here during the past few days. Let us try to instil reality into those words that were uttered twenty centuries ago and have been translated into every language, — those words which voice the universal aspiration of toiling and suffering humanity, and which, old man as I am, I have the right to pronounce in conclusion: "Peace be with you".

The President :

Translation : Mr. Robinson (United States of America) will address the Conference.

Mr. Henry M. Robinson (United States of America): The members of the delegation from the United States are in accord with the resolutions of the Committee on Agriculture and are also in full accord with the resolutions of the Committee on Commerce. So far as the Committee on Industry is concerned, the United States members are in full accord with that part of the resolutions, which relates to rationalisation. We believe that, on the subject of cartellisation, an adequate picture is given of the changing conditions of so-called cartels and trusts, and that the proposal does not, as it should not, show a static condition, and for that reason the definition of cartels is not particularly clear.

In the United States of America we have legislation of a restrictive nature in respect of the so-called trusts in that country. We believe that that legislation and the decisions taken under it express the attitude and philosophy of the American people.

We believe, too, that the great majority of the American people (and in this respect each and all of the members of the delegation are in agreement) are opposed to Government participation in private business enterprises. Because of these facts and because we believe that this is the attitude of our people, we feel constrained to refrain from voting on that part of the resolutions of the Committee on Industry which relates to cartellisation. But we are in no way in opposition to the resolutions.

I might add this: Various resolutions will be presented to this Conference asking the League of Nations to develop certain services. We hesitate to speak about this but feel that, while we want to vote fully with the other members of the Conference we should not vote a request for the expansion of the League of Nations although we believe that the expansion of its functions in this connection will be beneficial.

The President :

Translation : M. da Cunha Leal (Portugal) will address the Conference.

M. da Cunha Leal (Portugal) :

Translation : Mr. President, ladies and gentlemen — Now that our work is almost completed, the Portuguese delegation desires to offer its sincere congratulations to M. Loucheur and M. Theunis, the former as the prime initiator of this Conference, and the latter as its President.

The results we have achieved represent the first stage on the road of international economic agreement. To have got thus far, and, in addition, to have brought business men and statesmen from almost every country in the world into personal relations, to have analysed the suggestions made by each and to have brought exclusively individualistic interests into harmony with the general interest — all that is an immense task which, I am glad to say, has been achieved with remarkable insight and sound judgment.

Those enthusiasts who imagine that this Conference will exercise an immediate influence on Governments may be doomed to disappointment. What must be realised is that the influence of this Conference will only make itself felt slowly; it will not produce results for some long time to come, and then only provided no unforeseen obstacles arise to prevent its beneficial effects.

But, whatever happens, our own consciences will be clear, because what we have accomplished is an act of peace and not of war. In the troublous times in which we live it is pleasant to be able to say as much.

The Portuguese delegation desires to express its general approval of the draft recommendations of the Committees, but wishes to make certain reservations which it thinks indispensable. We maintained in committee that, in any attempt to cure the economic ills from which Europe is suffering, it must always be remembered that there are several European nations whose economic situation is comparatively strong, as compared with the less favourable position of some other countries. Thus, while urging the necessity of a general economic agreement, we advise that such agreement should set the nations not on a footing of absolute equality but on a footing of equity.

Unfortunately, this suggestion, which seems to us absolutely just, has been disregarded by the Committees.

Thus the Committee on Commerce, while recommending the abolition of import and export prohibitions and restrictions, makes the following reservation :

"That, moreover, the application of the principles laid down in this draft should not be indirectly defeated by such means as export duties, the fixing of quotas, health regulations or any other measures not justified by exceptional or imperative circumstances."

Here, as you see, all nations are set on a footing of equality. But though a restriction of this kind may be permissible for some nations, it is by no means so for others.

Nations in a strong economic position ought not to expect to take up all their branches of production and develop them at whatever cost. If certain nations whose resources are slender suffer through the importation of foreign products, that fact does not warrant their having recourse to prohibitions and quotas; but if a nation has to contend with almost insurmountable difficulties it should be allowed to institute prohibitions and restrictions

not to protect particular branches of production but to ensure that its balance of international payments should not be burdened with a crushing deficit.

We regret that the text approved by the Committee on Commerce should have been drawn up in such elastic terms as to render nugatory the very principle it enunciates. We would also ask: What of the special protection to be given to the weaker nations?

Moreover, international economic warfare, which defeats the development of international commerce on an equitable basis, may take different forms.

As far as our own country is concerned, the Portuguese delegation desires to draw attention to certain practices detrimental to the interests of Portugal.

1. Products similar to those produced by Portugal are accorded more favourable treatment in certain markets.

2. Differential surcharges are applied to prevent the so-called "exchange dumping". This is an injustice when applied to a country which stabilised its currency long ago.

3. Surcharges are applied to products originating in the Portuguese colonies and imported by indirect routes. This procedure tends to destroy the function of the European ports of the Portuguese Republic as distributing markets.

4. Insufficient protection is afforded for regional trade-marks and appellations of origin, with the result that our wines (a very important element of our export trade) are driven out of the European market.

Some of the recommendations of the world Economic Conference can only be accepted by Portugal on condition that other countries raise no obstacles to her economic expansion. Everything will have to be done to reserve the Portuguese market for those nations which have applied the most-favoured-nation clause to Portugal and have not had recourse to the practices mentioned above.

The Portuguese delegation also feels bound to explain the principal reason for its mistrust of international cartels. Since it is very difficult, if not impossible, for all the industrialists in any one branch of European production to come to private understandings, it is only natural that the producers of the great Powers only should eventually agree among themselves, this being their most profitable course. In these circumstances the establishment of international cartels may prove detrimental to the economic life of the small Powers. Further, a form of control which will prevent the abuse of international cartels is very difficult to establish — a fact which strengthens our objections to these organisations.

Again, if the rational organisation of production is standardised rapidly, difficulties will be very apt to arise through the increase of unemployment.

Subject to the reservations which they must make in view of Portugal's economic problems, considered in relation to the economic problems of Europe, the Portuguese delegates approve, as I have said, the recommendations submitted by the Committees to the plenary Conference for discussion and acceptance.

This first step towards a European economic understanding has been taken in the midst of a Europe weakened and ravaged by economic and political dissensions of all kinds. Let us hope that further steps will be taken in the future under more favourable conditions, and that it may so prove possible to attain concrete results.

The President:

Translation: M. Sokolnikoff (U.S.S.R.), will address the Conference.

M. Sokolnikoff (U.S.S.R.):

Translation: I desire on behalf of the Soviet delegation to make the following statement concerning the report submitted to the Conference by the Committee on Industry:

The Soviet delegation maintains the view set forth in its statements made at the plenary meeting of the Conference on May 7th (see M. Obolenski-Ossinski's speech and my own) and at the plenary meeting of the Committee on Industry on May 10th (see M. Lepse's speech) as regards the estimate of the industrial situation and the general considerations reviewed in the report.

The Soviet delegation is opposed to the resolutions in the report relating to rationalisation and international industrial agreements. The grounds of our objection are set forth in the statements made at the meetings on May 17th and May 20th.

The Soviet delegation, while approving the substance of all the proposals contained in the resolutions proposed by the Committee on Industry concerning documentation, will abstain from voting on the draft resolution relating to documentation, as its proposal to entrust this work to the Hague International Institute of Statistics has been rejected.

The President:

Translation: M. Briebe (Chile) will address the Conference.

M. Briebe (Chile):

Translation: I had the honour to submit to the plenary Meeting of the Conference a proposal which may be summarised as follows:

"An international credit organisation commanding the greatest confidence should be created. To this organisation small capital sums would be entrusted for investment, without the intervention of speculators or other middlemen, in countries which, with the help of this capital, could contribute towards the increase of production and consequently help to reduce the cost of living."

The suggestion does not apply especially to commerce, industry or agriculture — the only categories adopted by the Conference — but it very definitely affects all three. In nearly every case the application of the agreements which the Conference will reach will, I submit, necessitate the investment of a greater or smaller amount of capital; and, if no provision be made to obtain that capital, most of the agreements will prove to be a dead letter.

With a view to the remedying of social injustices, the above proposal also comprised a still more extensive plan for the economic reconstruction of the world, as outlined in the memorandum on Chile.

I should add that, in my belief, the union of all the Powers in a financial organ such as that proposed would be the most effective means of preventing the disturbance of world peace. Community of interest has always been a more powerful bond of union than mere eloquence or treaty obligations or abstract conventions.

I think it is a pity that a special committee was not appointed at the outset to study this question as well as others of a general character. That

is the reason why I have had to submit my proposal to the Committee on Agriculture, although believing that a general need for money would also be felt both in commerce and industry.

The idea was favourably received by the Committee on Agriculture and converted into a proposal framed on the lines laid down in the main suggestion, but confined to the needs of agriculture, and this proposal is submitted to the present plenary meeting. Its discussion in the Sub-Committees led to certain observations on points of detail, to one of which I desire to refer.

It was alleged that, as some countries had no agricultural problem to solve or had already solved it, there was no need to press further the idea of an international bank; and the suggestion was accordingly put forward that each State should endeavour to settle its difficulties by itself.

That is a retrogression towards national individualism much to be regretted at this Conference. How can we urge the solution of problems by individual initiative when the necessary capital is not forthcoming?

I have not submitted an amendment to the conclusions of the Committee on Agriculture, although I might have done so. Yet I earnestly hope that the League of Nations will give my idea its original scope; and I also trust that the various Powers of the world will realise that, by their financial union, they will forge an unbreakable chain that will reduce the demon of war to impotence.

The President :

Translation : M. Marino Perez (Cuba), will address the Conference.

M. Marino Perez (Cuba) : Mr. President, ladies and gentlemen — Before this Conference began, much scepticism existed in all parts of the world as regards the question whether it could accomplish anything practical. Those doubts will be entirely dispelled when the results of its work are known.

Yet the Conference has put forward no new economic theories, it has offered no novel remedies, it has formulated no recommendations or conclusions upon which the economists and statesmen of the world do not generally agree, as sane, practical and constructive policies, to which the special conditions prevailing in each nation can be adjusted. The Conference has simply elaborated and brought into proper correlation and perspective those long-proven and well-known basic principles upon which the economic welfare of the world and its constituent peoples essentially depends. From the application of these principles the nations have, however, been departing — as a consequence of the economic disorganisation produced by the war and its aftermath — to an extent that threatens disaster to them all, collectively and individually.

The signal service which this Conference has rendered has been to offer unmistakable proof that there is a substantial and adequate body of accepted economic facts, knowledge and principles upon which to build the economic life of the world, instead of a confused, contradictory, unstable and selfish mass of opinion. This Conference has shown that the economic problems of the world and of each country individually can and must be worked out by the aid of proven and accepted economic principles. Each country should realise the need for a scientific and technical orientation of its economic life, just as it applies scientific study and knowledge to the solution of its problems of education, hygiene, agriculture, national defence, public works, and so on.

Economic measures and policies should be adopted in each country only after careful study by economists, by men trained to weigh and consider more than the special or partial and often narrow interests of one section or activity of the nation, by men with a clear vision also of the international bearings and consequences of any internal measure or policy. The work of this Conference will be an important aid to this end, because it serves to define, synthetise and correlate the economic interests of the world, and to show that beneath the diversity of interests there is a fundamental economic interdependence, weaker in some cases, stronger in others, but which links the welfare of each to that of all.

While the problems which have been examined by this Conference are predominantly those of the highly industrialised nations of Europe, and not of the countries of America, in most of which agriculture and raw materials form the principal basis of wealth, yet the conclusions of the Conference are as vital to us as they are to Europe, because whatever tends to increase the prosperity and to advance the welfare of the peoples of the Old World will also substantially and directly benefit America. Likewise, any improvement in the economic conditions of the countries of America will prove of corresponding benefit to Europe and the rest of the world. As Mr. Hoover very rightly said, in addressing the Third Pan-American Commercial Conference, "A country gains nothing from the poverty of others; it gains everything from their prosperity. We realise, from an economic point of view, that foreign trade expands simply in ratio to the internal prosperity of each nation, to enlarged standards of living, to the growth of industry, to the increase of wealth".

It is a coincidence worth noticing that at the same time that this Economic Conference is being held here the representatives of the nations of America have gathered in Washington to hold the Third Pan-American Commercial Conference and the Second Pan-American Conference on Unification of Specifications. In January of next year the Sixth Pan-American Conference will meet in Havana, Cuba, and its programme includes a great many of the economic questions of vital interest to-day to America and to all the world. Thus, through their own agencies, organisations and conferences the Republics of America are working hard at their common economic problems and are developing a continuous international policy along practically the same lines as those of this Economic Conference and of the League of Nations.

The Republic of Cuba is affected directly and most harmfully by the present world economic situation. Perhaps no country is suffering more than Cuba to-day from the extreme protectionist and fiscal policies of Europe and other countries, due to the fact that the natural advantages of Cuba for the growing of sugar-cane and tobacco have led her to concentrate her economic activities on those two products, against which, in many parts of the world, severe protective measures have been taken, including high consumption taxes.

The Cuban delegates have pointed out, in a statement which has been circulated to this Conference, the position of their country with respect to some of the problems on the agenda. May we ask our colleagues to read that statement if they find time to do so? The Cuban delegates have also had the honour to submit to the Conference certain suggestions of a constructive character regarding the sugar industry from an international point of view, which they hope will be of interest.

The President :

Translation : M. Varga (U.S.S.R.) will address the Conference.

M. Varga (U.S.S.R.) :

Translation : Mr. President, ladies and gentlemen — I desire to explain the Soviet delegation's views on the report of the Committee on Agriculture.

The Soviet delegation is voting against the introduction and the general resolution submitted by this Committee, as these are contrary to the general principles which we advocate and which we explained in our speeches before that Committee.

The Soviet delegation votes against special resolutions 1 and 2. concerning agricultural co-operation and agricultural credit, because the organisation in common of big owners, small owners and agricultural workers always operates to the disadvantage of the poorer classes.

The Soviet delegation votes in favour of the special resolutions 3, Campaign against diseases affecting plants and animals ; 5, Forestry and 6, Documentation on agricultural questions — Statistics — Enquiry.

The Soviet delegation votes against resolution 4, Agriculture in colonies, because it is convinced that the well-being of the inhabitants and the increase of the national wealth in so-called colonial countries can only be ensured subject to the fulfilment of the conditions mentioned in the speech by M. Obolenski-Ossinski, Head of the Soviet delegation, at the plenary meeting of the Conference on May 7th last.

The President :

Translation : M. Chuan Chao (China) will address the Conference.

M. Chuan Chao (China) : I wish to say a few words in connection with the report of the Committee on Commerce. The Chinese delegation to this Conference has for its aim the success of the Conference and for this reason, apart from laying before you in the plenary meeting on May 6th the question of the "trade barriers" which exist in China, as well as the adverse effects on international trade, the Chinese delegation has contented itself with hearing the views of the other members and awaiting the results of their deliberations. It has abstained from taking part in any discussion in a way which could make it even remotely possible to interpret its intervention as an attempt to mar the harmony or the unanimity of the members of this Conference.

While the resolutions have been mainly drawn up from the standpoint of Europe and the more industrialised States, I note with great satisfaction the recognition by this Conference of the principles of equality and reciprocity in the treatment of commerce, principles which, in the opinion of the Chinese delegation, should be the basis of international trade. So long as these principles can be fully and indiscriminately carried out, you can rest assured of the co-operation of China and her people.

In connection with the question of high tariffs, I have noticed that this Conference is on record as condemning protective tariffs as well as excessive revenue tariffs, but it is silent on claims for reasonable revenue tariffs. I take this silence to mean that the claims of the Chinese delegation to have reasonable revenue tariffs has the tacit approval of this Conference.

Finally, there is still another point I should like to mention in order to clarify the position of the Chinese delegation, and that is with reference to

the question of the "equality of treatment with regard to conditions of residence, establishment, removal and circulation between foreigners admitted to a State and the nationals of that State". That passage is to be found in the report of the Committee on Commerce. I believe you cannot find any country more anxious to open its entire territory to international commerce than China, but I am sorry to say that the realisation of this desire has been unnecessarily retarded by the continued enjoyment by certain foreign nationals in China of extra-territoriality and consular jurisdiction, together with the existence of fiscal restrictions on China. It is for the purpose of better protecting these foreign nationals and also preventing the spread of the dangers and inconveniences to the Chinese people that foreign commerce has, for the time being, unfortunately been limited only to certain ports open to international trade. But with the approaching abolition of these legal and fiscal restrictions, which is the aim of all nations interested in China's welfare, I believe that the obstacle in the way of opening the whole of Chinese territory to international trade will be removed. In voting for these reports, therefore, I hope it will be understood that I shall be voting for them without prejudice to China's claim for the abolition of extra-territoriality and consular jurisdiction, as well as for the removal of the fiscal restrictions.

The President :

Translation : I call upon Mr. Dinan (Irish Free State) to address the Conference.

Mr. William Dinan (Irish Free State) : Mr. President, ladies and gentlemen — The Irish Free State delegation is in general agreement with the views and sentiments expressed in the resolutions now before us. While we regard the results of the Conference (embodied in these resolutions) as of great value in themselves, we consider of even greater value the spirit of accommodation and the anxiety to understand one another's difficulties that have been so evident in our deliberations, and the realisation by every nation represented here that the prosperity of each of us is bound up with the prosperity of all. We earnestly hope that this new understanding and this more generous spirit will be so greatly strengthened as a result of our deliberations here that the economic policies of the nations we represent will be influenced by the resolutions upon which we have agreed.

When we bear in mind the limited time at the disposal of the various Committees, Sub-Committees and Drafting Committees into which the Conference resolved itself, and the diversity of opinions and interests that had to be harmonised, we cannot pretend that the resolutions before us represent the last word of wisdom on the many subjects discussed, but, taken in the aggregate, they indicate very clearly the road we must travel to find the stability and progress so sorely needed in Europe to-day.

I propose to refer very briefly to the resolutions received from our three Committees.

The introduction to the resolutions received from the Committee on Agriculture lays emphasis on the agricultural depression of recent years and seems to imply that this depression is due to a falling price level coupled with a relatively greater fall in the price of agricultural as compared with industrial products. It seems to us that the Conference should have addressed itself to the question of ascertaining how far, if at all, the falling price level is the result of conscious policy, and therefore avoidable, and how far also,

if at all, the admitted disparity between agricultural and industrial prices is attributable to the falling price level. If the depression in agriculture is, as stated in the introduction, characterised by the disequilibrium which has arisen between the prices of agricultural products and those of manufactured products, it seems to be a little premature to prescribe a remedy for the effects of such disequilibrium without having first sought and, if possible, obtained an accurate diagnosis of its cause. The omission to explore this avenue of approach to the agricultural problem will appear, all the more remarkable in view of the abundance of statistical and other material bearing upon this subject. The Irish delegation feels that the recommendations of the Committee on Agriculture are less valuable than they would have been if they had been preceded by a thorough examination of the price and monetary background to the entire agricultural and industrial situation.

In the Irish Free State, the currency is maintained at parity with gold, but despite this fact neither agricultural prices nor the prices of other products have shown stability. The Irish delegation on the Committee on Agriculture submitted figures showing that the average gold prices in the Irish Free State for the leading items of agricultural produce were far lower in the early months of this year than in the corresponding months of last year. How has this tendency arisen? What are its effects? When will it cease? These are questions of vital interest to agriculturists, and indeed to every producer. In the absence of a satisfactory answer to them there is great danger that the remedies prescribed for the ills of the agriculturist, like every remedy prescribed in the absence of an accurate diagnosis, may prove to have little beneficial effect.

The resolutions, for example, deal with the subject of agricultural credit and it is universally admitted that the agriculturist at present needs better credit facilities, but the position of the borrower will not be much improved if he remains confronted with a steady fall in the price of the goods he produces.

While the members of the delegation for which I speak are in agreement with the resolutions of the Committee on Agriculture, so far as they go, they would like at the same time to have seen the agricultural problem approached in the light of recent currency policy, and in particular they would like to have seen a fuller comparison and a pooling of recent agricultural experience in those countries like their own where the currency has been at parity with gold. Should the present tendency in gold prices continue for any lengthened period, the agriculturist will not be saved from disaster merely by an extension of credit facilities to him, nor by any of the other remedies prescribed in the resolutions, however excellent those remedies may be in themselves.

Turning to the important resolutions received from the Committee on Commerce, we welcome the sentiments of good-will with which these are animated. My country has throughout adopted a policy of extreme commercial generosity. The most-favoured-nation treatment obtains with us. No export duties are in force and such import prohibitions and restrictions as exist have been imposed upon sanitary and not upon economic grounds. The Customs tariff is largely free trade in character and contains relatively very few items. The fullest free trade in shipping and in railway transport is also maintained and equal treatment is given to all traffic, irrespective of its origin. While this has been the commercial policy of the Irish Free State, the delegation fully subscribe to the views submitted to the Committee on Commerce

on behalf of the Commonwealth of Australia by Sir David Gordon, when he said :

“This Conference should bear in mind that, while seeking the path of economic reconstruction, it should recognise the wisdom and necessity of leaving younger countries to work out their own destinies along lines which seem to them best suited in their present stage of economic development.”

Referring to the report submitted by the Committee on Industry, it is clearly to our advantage, as a country which is a large importer of manufactured goods, that those goods should, as a result of rationalised production, be sold in our markets at the lowest possible prices, and therefore the movement initiated by this Conference in the direction of the elimination of wasteful production is welcome. We are also glad to note that this report recognises that international industrial agreements must not have for their object or effect any reduction in the economic equipment which any nation considers indispensable nor the stereotyping of the present distribution of industries among the various countries.

In conclusion, Mr. President, the Irish Free State delegation earnestly hopes that this Conference may lead us towards the peace and stability of which we all stand so much in need. We shall vote in favour of the resolutions submitted.

The President :

Translation : M. de Peyerinhoff (France) will address the Conference.

M. de Peyerinhoff (France) Rapporteur of the Committee on Industry.

Translation : Mr. President, ladies and gentlemen — The criticisms and observations arising out of the report of the Committee on Industry have all been concentrated on the question of agreements. Your Committee, while realising that this problem opens up a vast and fertile field for discussion, is inclined to regret this concentration, which would appear to accentuate, as public opinion has already done, what I might call the lack of equilibrium in the programme referred to your Committee, which has just submitted its findings to you.

What was its idea? Its idea was that, in view of the impoverishment of the Old World after the War and the more or less temporary disturbance of the balance between production and consumption, it was essential to make a vigorous and systematic effort — an effort more vigorous and more systematic than any yet attempted — to improve the conditions of production.

This effort might be compared to an enormous fan spreading out in the form of the rationalisation of industry, the general extension of technical progress, the scientific employment of power, the rationalisation of types, or standardisation, and, lastly, the rationalisation of distribution, the logical conclusion, the crowning achievement, being, it would appear, a further expansion in the form of the rationalisation of undertakings — that is, agreements.

These, as we have already said, are neither a novelty nor a panacea. The fact which is remarkable, the fact which should be noted here, is that, for the first time, agreements have formed the subject of a great public international debate. Hitherto, they have evolved in what I may call the dim light of trade secrecy, occasionally varied by a discussion on theory or some parliamentary or judicial incident. This time they have to face the light of public opinion, of a highly qualified body

of world economic experts ; and that is no mean test.

And what has happened ? The general public, and the Conference as a whole, have conceived either unwarranted hopes or exaggerated fears, and that with very little real foundation — for we are attempting to solve only a small part of the problem, and the solution does not even apply to every industry.

Your Committee is glad to have succeeded in dispelling these misconceptions and in submitting a moderate, reasoned and balanced report, which, although it may appear somewhat dull — common-sense is often dull — reflects not the feeling of each individual member of the Conference, but a fairly accurate view of the average opinion of this highly qualified body of world economic experts on the delicate question now submitted to it for the first time.

What does this average opinion amount to ? A number of commonsense truths, I might almost say, truisms. It shows that agreements may have many great merits but at the same time many serious drawbacks. It shows that they are not a theoretical proposition but a concrete fact, the effects of which it is for you to judge and estimate.

What, then, does the public learn from this opinion ? The advice given to the public is the advice of our English friends : "Wait and see. Open your eyes. Look and judge for yourselves."

The advice to those who conclude agreements is this : "Do not conduct your operations in the dim light of which you have been rather too fond. It is only right and fair that the public and the public authorities should be given a certain minimum amount of information. Further, be careful in your price policy and your labour policy. Lastly, be sure you give the nations the ample guarantees to which they are entitled, not only as regards the maintenance of their vital industries but also the feeding of those industries and the future prospects which their population or their natural endowments promise them".

That is what your Committee suggests that you should say to cartels and to Governments. You are masters of your fate and are free to decide how you think these agreements should work. In any case, do not take a prejudiced view of them *a priori*, because you would be depriving yourselves of the benefits that you might derive from them.

What then remains ?

There remains a very sensitive spot ; but if it is sensitive to the extent of being what I might even call neuralgic, it is because the idea of supervision, on which this Conference is apparently divided, has not yet been sufficiently elucidated.

Between these diametrically opposed views, what a vast field for common action there remains, for men of commonsense, for statesmen who are determined to act in a reasonable spirit.

By international supervision do we mean international jurisdiction, based upon some common law and enforced by delegations representing Governments which have for the moment renounced their rights ? Or, on the other hand, are these international organisations to escape all form of supervision and to be allowed to pursue their activities without any limits or any form of restriction ? What sensible men at this Conference, or anywhere else, would agree to such a suggestion ?

What is the real truth ? It lies midway between these two extremes.

First and foremost — and it cannot be repeated too often — these international cartels must come under the jurisdiction of the courts of the State in whose territory they are operating, whether this happens to be in their own country or elsewhere, and even when they have contracts

with nationals of other countries. Hence they are subject to drastic supervision, being subordinate to the judicial authorities and the law.

That is the first point.

In this connection the Committee has a suggestion to make. Apart from these powers — whereby a Government can employ measures of a strictly governmental, Customs or fiscal character, when it has reason to be dissatisfied with the attitude of its nationals who may be affiliated to a cartel or with that of an international cartel operating in its territory — other means of procedure exist.

The suggestion is that a system of arbitration should be established which would be entrusted to large private or public organisations possessing undoubted competence in economic matters. Such arbitration would be voluntary, but would ultimately produce a kind of "case-law" applicable to members of cartels or to the cartels themselves.

That, gentlemen, was what I wished to say about the settlement of apparently litigious disputes.

What have we besides ?

There is a form of supervision that is even more important, because it is more all-powerful even than courts or Governments, and that is an enlightened, intelligent and fair-minded public opinion.

As agreements take shape and big industries become bigger still, they begin to feel the power of public opinion ; they can no longer ignore it.

I have left to the end a last form of supervision or control, and that is self-control, the development of a sense of responsibility in the heads of the main branches of production. As soon as enterprises designed to produce in order to sell at a profit for the benefit of producers at the top or at the bottom of the ladder become not a means to an end but, as it were, a part of the nation at work, a branch of the national production, then, it is certain — and all who have observed the trend of these great syndical organisations are as firmly convinced of this fact as we are — that the sense of the social duty and of the social service which those concerned in the big industries and big syndical organisations are called upon to accomplish, and which they feel to be a responsibility developing upon themselves, will undoubtedly make itself felt in any decisions they may have to take.

What now remains to be said about supervision ? What we want is common-sense formulas, unpretentious formulas — as unpretentious as commonsense, and as efficacious.

What remains to be said about the League ? This : that, in order to educate public opinion and provide a centre for Government information, there should be set up under the League, whose work and systematic methods we have had ample opportunities of appreciating — there should be set up, in such form as the League may think fit, a centre of information and documentation. This would gradually add to its store, and information would be regularly supplied on the one hand and be regularly obtainable on the other. This organisation would be a most valuable source of information and education for all concerned.

These, gentlemen, are the solutions that your Committee on Industry has to submit in regard to this matter. I think that if the question had been viewed in this light by our colleagues — and more particularly M. Jouhaux — who represent the workers, the solutions we propose would have allayed the anxiety reflected in the reservations which have just been formulated.

It now remains for me to reply to the observations of the Soviet delegation.

I have nothing to say as regards their declaration concerning rationalisation and industrial agreements. I realise that our texts are inconsistent with the theoretical principles which they have brought with them here, and which, as has already been said, it is not for us to discuss or to attempt to remove.

As regards the third point—the question of statistics—the Soviet delegation informs us that it will abstain from voting, as the Committee proposed that the question of statistics should be entrusted not to the Hague International Institute of Statistics, but to the organisation established by the League at Geneva. Greatly as we respect the Hague Institute—and some of us have this feeling to a very marked degree—no one on the Committee on Industry ever thought, after having been summoned by the League and having worked (as some of us have for a long time) with its services, and realised how the work is handled here—no one, I say, ever thought of going elsewhere. It seemed to us perfectly right and fair to request the League to give effect to our resolutions and *inter alia* to undertake this work of documentation and co-ordination which we regard as so essential.

I repeat: our Committee on Industry, whose report is now before you, has not produced anything new in the way of formulas or startling revelations. It has enunciated a number of common-sense truths, and has given certain indications the wisdom and caution of which you will, I am sure, appreciate. I think that world economy might pursue this path, not entirely without risk, of course, but to its very great advantage. If the resolutions

receive the support of your authority, they will undoubtedly become a most instructive and promising feature of the scheme of world economics.

ADOPTION OF THE REPORTS OF THE COMMITTEES.

The President :

Translation : The list of speakers is exhausted, and the discussion on the reports of the three Committees is therefore closed. We will now vote on the three reports in turn.

I would remind you that only the members of the Conference may vote; experts are not entitled to do so.

I put to the vote the report of the Committee on Commerce.

The report was adopted by the Conference, the U.S.S.R. members voting against.

The President :

Translation : I put to the vote the report of the Committee on Industry.

The report was adopted by the Conference, the U.S.S.R. members voting against.

The President :

Translation : I put to the vote the report of the Committee on Agriculture.

The report was adopted by the Conference, the U.S.S.R. members voting against.

TENTH MEETING

Held on Monday, May 23rd, 1927, at 11 a.m.

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ECONOMIC TENDENCIES AFFECTING THE PEACE OF THE WORLD: ADOPTION OF A RESOLUTION PROPOSED BY MR. PUGH (BRITISH EMPIRE) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : The first item on the agenda is the discussion of Mr. Pugh's resolution concerning economic tendencies affecting the peace of the world. This resolution has been submitted to the plenary Conference by the Co-ordination Committee.

Mr. Pugh (British Empire) will address the Conference.

Mr. Pugh (British Empire) :

Mr. President, ladies and gentlemen—The resolution I have the honour to submit is designed to direct the attention of the Conference and, through the Conference, the attention of the world at large to the fundamental significance of our efforts during the last three weeks in the direction of international peace. It is that which forms the basis of the memoranda presented by myself on behalf of the labour organisations of Great Britain in which we point out that, broadly speaking, the economic growth of the world has outstripped the growth of political and social institutions and that, unless economic activities

and rivalries can be controlled and directed to the common interests of the peoples of the world, stable peace between nations will be impossible.

In this connection, I may be permitted to quote from the resolution adopted by the Assembly of the League in which it requested the Council of the League to take the necessary steps to convene an International Economic Conference. The Assembly said :

“ Firmly resolved to seek all possible means of establishing peace throughout the world ;

“ Convinced that economic peace will largely contribute to security among the nations ;

“ Persuaded of the necessity of investigating economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes ”.

I desire further, Mr. President, to strengthen my argument by referring to a significant statement in your closing speech at the end of the work of the Preparatory Committee in which you say :

“ The political work of pacification undertaken by the League of Nations would not be comprehensible without simultaneous work in the economic field — a field which is closely connected with it.

“ Too many people still think that the political field and the economic field are entirely different. This is a profound and dangerous error, for every important economic question is by that very fact a political question. The work of political peace and disarmament should go hand in hand with economic peace and disarmament.”

When this Conference closes, and all its members have returned to their homes and resumed their day-to-day activities, it will be a measure of our sincerity that we shall, in our several capacities, keep alive and develop those ideals of mutual co-operation, of toleration in a great endeavour, which in no small degree has been shown to be possible by this Conference.

The question which the Conference must now prepare to meet, as it approaches the end of its work, is this : What progress has been made towards the ideal set forth in the initial declarations I have quoted ? Is there reason for believing that firm foundations have been laid for the development of better industrial relations between different countries, and are there grounds for the conviction that progress has been made already, in consequence of this first step, towards the attainment of an enduring peace ?

In order to have an assured reply upon these fundamental issues, it is necessary for us mentally to rise above the details of the work which, for the past three weeks, have commanded all our attention, until a plane is reached from which the contribution of this Conference can be seen in true perspective and in its just relation to the stream of human history and progress.

Viewing the efforts of the Conference from that standpoint, we must consider what it may have added to the swelling tide of forces which direct the destinies of peoples away from war, discord and distraction towards the evolution of a constructive social unity. When we regard our task from this broader philosophical point of view, we realise at once that our work has only just begun. From active practical experience in the construction of a solid basis of peace in our domestic industrial relations, many of us are well aware that this basis is not to be secured without arduous effort and continuous striving.

When the interests of large groups of men are seriously opposed, their conciliation involves a strain both of intelligence and will.

What is needed, first, is a clear system of the agreed principles of settlement — standards which can be accepted by all parties as just and reasonable for indicating how the solution may be reached in any given dispute. Then, when the principles have been established, there still remains the most exacting and persistent problem of maintaining the true spirit of co-operation between the parties, and a ready willingness to stand by the adopted principles of settlement. This, we know, is not easy in the separate domain of industry, and there is no reason to believe that the same process will be easy when the interests of all nations of producers and consumers are at issue.

In its rôle of mediator, and in a sense legislator, in the sphere of international economic differences, this Conference can at least claim a measure of success in the first half of its task — the laying down of principles of settlement. Before the Conference met, those who framed the agenda had in mind two major categories of disputes. The first of these is that in which the producing and consuming countries may injure one another through the imposition of restrictions and prohibitions on the exchange of goods. The second is that in which international combinations of producers might prejudice the interests of all consumers throughout the world. For these two outstanding cases, potentially capable of giving rise to international friction, the Conference has elaborated for the guidance of all countries certain principles which, if loyally applied, would go far to banish enmity between the nations.

But this, as already stated, is not enough. We must not allow ourselves the delusion, in the enthusiasm of our work, that our task has been accomplished when these principles have been established. The testing-ground of the success of the present conference is not here in this hall but in the separate national Legislative Assemblies throughout the world. That being so, it would be fatal for the delegations to return each to their native hearth under the impression that the task is finished. In reality, it is just beginning.

The essential trial-ground of the success of the present Conference lies in the national fields. The trial itself is one between political leadership and public opinion in each separate State. If Governments are unable to command adequate support from the people of their country in an endeavour to institute the necessary changes of policy, clearly nothing substantial can come of the recommendations of this Conference, for, in the last resort, it is public opinion which determines how much progress can be made.

Finally, therefore, we have to ask ourselves : What has this Conference achieved towards the education of opinion ? What has it contributed towards the better comprehension of the problems raised, towards the growth of international understanding and towards the development of good-will amongst the peoples of the world ?

These questions are, by their nature, impossible to answer with precision. But there are certain features of this Conference which at least give great encouragement. In the first place, it is more representative of social, industrial, commercial and financial interests and of geographical divisions than any previous Conference. In the second place, the Conference proceedings have been marked, despite the controversial character of the problems and vital interests they affect, by considerable evidence of concord. Extreme left opinion has been working in conjunction with extreme right, and even opposing systems have had representatives

sitting side by side and endeavouring to conciliate their points of view.

Perhaps, therefore, the most valuable immediate result of our work has been to strike a further blow at that potent factor of war, suspicion. One of the worst of the obsessions from which the world still suffers is its "suspicion complex". We still imagine enemies lurking in the various national corners. We still carry about unwholesome and ungrounded fears of other nationalities. And why? Merely because we do not know each other. The fear of the unknown is invariably the greatest fear, and, because we are afraid, we build up armaments, protect our key industries for war and try to make ourselves industrially self-sufficient. In so doing, we only justify our neighbours' worst suspicion, so that they in turn double and redouble their defence.

Where, then, lies the power to break this vicious circle of suspicion and military preparation? Only, it seems, in coming to close quarters with each other, in rubbing shoulders, in uniting towards the solution of common difficulties, and thus ultimately realising that we are members of the same human race, with the same needs, the same essential problems, and the same just aspirations. This feeling we have realised to a material degree, I think, at the present Conference; and, although the result of this may appear to be the least tangible of all, it probably yields a greater contribution than any other towards the spread of mutual understanding among the nations represented.

As a fundamental consideration, therefore, in connection with the practical end we have in view, the high purpose of this Conference must be kept steadily in mind, namely, to develop an enlightened policy of international co-operation and good-will between nations as the means whereby human welfare may be benefited and the foundations laid for permanent world peace.

I therefore beg to move the adoption of the following resolution:

The Conference,

Recognising that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are framed and executed,

Recommends that the Governments and peoples of the countries here represented should together give continuous attention to this aspect of the economic problem, and looks forward to the establishment of recognised principles designed to eliminate those economic difficulties which cause friction and misunderstanding in a world which has everything to gain from peaceful and harmonious progress.

The President:

Translation: You have heard Mr. Pugh's speech in support of his resolution which he has just read, and which I now put to the vote.

Mr. Pugh's resolution was unanimously adopted.

The President:

Translation: M. Varga (U.S.S.R.) will address the Conference.

M. Varga (U.S.S.R.):

Translation: The Soviet delegation voted in favour of Mr. Pugh's proposal, being of the opinion that a close and constant study of the problem of economic relations between the different countries and the Soviet Union and the establishment of

principles for the co-existence of the two economic systems may greatly assist in bringing about an improvement in the general economic situation.

The President:

Translation: M. Caloghirou (Greece) will address the Conference.

M. Caloghirou (Greece):

Translation: Mr. President, ladies and gentlemen — The time has come to pay a tribute to the work of the Conference, which is nearing its conclusion. I had hoped, however, for a direct reply to the resolution passed by the Assembly of the League at its sixth ordinary session. We have examined the various phenomena of the present economic situation, but we have not yet found the principle underlying those phenomena. We have been dealing with the consequences rather than the causes of the world economic situation. Now, at the close of this session, I should like to submit a few brief observations on the situation.

The world Economic Conference is the outcome of the fact that every one either suspects or knows that the world edifice is in danger of collapse. Among the majority of mankind, a majority which is daily increasing, poverty is assuming alarming proportions. The precariousness of our existence is everywhere manifest and is being demonstrated every day.

Economic causes are at the root of the whole trouble. If we are to cope with the economic difficulties which stand in the way of general prosperity and may even lead to new and terrible conflicts, we must consider not the details of the present economic situation but the principles upon which it depends. Minor economic reforms will never make any real difference in social conditions.

There is no such thing as a system of world economy, nor can we establish one; or at all events there is no such system in the ordinary sense of the word, that is, as a further stage of development following on private and national economy. The present economic system is, of course, a world system from the point of view of the elements concerned in it, but not from the point of view of the idea underlying it or the conflicting interests represented in it. A regular system of world economy is out of the question, for we are still far from the "world-conscious" mentality which it connotes and which mankind would find it very difficult to acquire. World economy is not a unitary but a collective concept.

National economy, on the other hand, is an established fact. It exists now as a universal system and ideal, whether in the form of capitalism or communism. Both policies depend upon the same system, the same essential idea, the same mistaken conception. The general and fundamental error which of itself inevitably complicates social life and leads to disaster is this very attempt to employ authority for the purposes of economic administration. It is the application of *statisme* to economic life. It represents a claim to control the property and hence to direct the fate of others. It means that the State interferes in trade, and places its formidable political and military equipment at the disposal of the private interests of one party to engage in desperate combat with another. It involves the principle so completely — and so lightly — accepted by most people, particularly at the present time and under the influence of war conditions, the principle that those at the head of the State are also competent to administer the property of their nationals, that is, to control our living conditions

and subject us at a day's notice to a rise or fall in prices to meet the temporary necessities of the national economic policy.

All this is inconsistent with true economy and with personal dignity. It is, in my opinion, the economic cause of the universal ills of the present day.

A national economic system, that is the economic system administered by the respective States, obviously does not leave the individual free to act according to his instincts or according to the dictates of economic necessity. Under such a system, producers cannot introduce the improvements essential for the maintenance of permanent equilibrium between production as a whole and purchasing-power.

The individual, relying upon State assistance, offers only a minimum of resistance — *minoris resistentiae* — and ignores all the lessons that may be learned from purely economic facts.

Thus disorder reigns in the economic world, the balance between production and consumption is destroyed and inextricable confusion ensues in regard to labour conditions and migration. Absurdly complicated Customs systems are established for ridiculously short periods, and a whole host of evils is brought upon society.

Hence, in matters of economy, individualism is in perfect harmony with collectivism, and is in no way inconsistent with it; it is the opposite contention which is disproved.

State-controlled economy makes a struggle between different countries inevitable — a life-and-death struggle to turn the balance in favour of one at the expense of the others. It therefore tends to promote a general policy of aggression. It means *bellum omnium contra omnes*. Such a state of affairs gives birth to a desire for general solidarity, a desire as ardent as it is unfortunately impossible of attainment.

When a State claims for its subjects in another country rights exceeding those of the nationals of that country; when it makes representations to another State in the economic interests of individuals; when it takes measures designed to influence the economic life of another country, or to promote the interests of its own subjects at the expense of nationals of the other country — such acts should be regarded, and denounced, as the acts of barbarians and not of civilised men, except, of course, when a state of war has been declared.

In peace-time the mission of a civilised State should be to suppress evil and to ensure the reign of law. We are entitled to expect from the public authorities "good judges, the punishment of monopolistic activities, equal protection for all citizens, a stable currency, roads, and waterways".

Old as it is, this postulate of the Marquis d'Argenson is still absolutely sound. We are in the throes of a world-war now, even though military hostilities have ceased — a war which is rapidly destroying every virtue and every principle of justice that is recognised as essential in any normal scheme of existence worthy of mankind.

If latterly there has been a marked slackening in the observance of the principles of justice and morality, and a weakening of the influence exercised by the institutions derived therefrom, if confidence in justice is beginning to waver, it is because public opinion is influenced not only by the unjust behaviour of the different States in their international relations but by the no less

reprehensible attitude of the modern State towards its own nationals.

Undoubtedly the State, as an economic entity, ought in principle to be indifferent to the distribution of the national wealth among its subjects. It may, indeed, have a vital interest in favouring producers at the expense of consumers, who, regarded in that capacity alone, must constitute a heavy burden.

Further, it must be admitted that in the long run the rich man, by his accumulation of capital, increases the nation's wealth to a greater extent than the poor man by his labour alone.

All these considerations make the State to-day but little fitted to devise or carry out efficacious social measures, which are so enormously facilitated by technical progress, and the necessity for which is now so urgent.

The great war did not change the system. The only difference between the economic system to-day and before the war is that its developments have been accelerated and intensified. That is why unemployment, migration, insecurity of living conditions and all other kinds of economic-social evils develop nowadays more rapidly and to a more noticeable degree than before; and this process will tend to become more rapid still.

The State no longer contents itself with a general supervision of our destinies; but economically it interferes in detail and in constantly varying ways with us. Our standard of living depends upon the day-to-day measures taken by the State, or even by the uncontrolled super-State forces that have come into being under the existing regime — capitalism and communism.

There is no difference between these forces in their coercive methods of handling economic matters, or as regards their disastrous effects on social life, liberty and security. Both represent an attempt to replace individual economic instinct, which is infallible and allows us liberty, by the human intellect, which is a prey to all kinds of error and to inordinate egoism. In either case the outcome is the worst form of despotism — economic despotism.

The State, altruistic in its nature, can not engage in trade, which is a purely egoistic activity. Solidarity and world peace are materially impossible in a world directed by States engaged in commerce. It is in my view essential to destroy this idea of "national" economy, and to replace so artificial a system by an individualistic system.

Under the system of private economy, men suffered from the effects of other factors which doubtless were not entirely without material influence. But in order to combat and destroy these factors, in order to save themselves, they never found it necessary, as we do to-day, to resort to economic measures.

In the future, even under a system of individualistic economy, subjects will certainly have to defend themselves, *vis-à-vis* their Governments, against various forms of injustice and oppression. But there will be no further need to consider economic measures to deal with crises arising out of the natural egoism of Governments. We shall have finished once and for all with the employment of economic measures as a means of salvation. This would benefit mankind as a whole, because any other measures for the improvement of social conditions are comparatively easy to devise and apply, whereas economic matters, being essentially contradictory in themselves and *inter se*, can never become, as it were, articles of faith with the masses — a condition which is essential for success in social campaigns.

The vicious circle of ills ensuing from economic measures is fortunately broken directly the right measures are taken. The only way to ensure uniformity is to give the individual economic instinct full scope.

Professor Cassel realised the importance of individualistic economy when he declared that "the purchasing-power of human society can never be anything else than the total produce of society." He adds that artificial obstacles would inevitably prevent full use being made of the producing power of society.

Hence, owing to the fact that they are sometimes of a contradictory character, economic questions should be settled by reference to some higher principle and without troubling about details. This higher principle, this remedy, if I may so describe it, can only be found by having recourse to a normal and natural authority—that is, to individual private economy—which is free from administrative or State influence.

Thus we must restore to the economic system the harmony inherent in it, and allow human life to develop freely and in accordance with its natural capacities.

In this connection we must not lose sight of the disastrous results which would ensue from a sudden transition from one system to another, or the inequalities which would result if latent forces could be developed unchecked; measures of a social character would certainly become necessary.

Society has gradually adapted itself to this artificial structure, originally based upon an erroneous conception and propped up for years by a series of illusions. Its precarious balance has somehow been maintained. But if this crumbling edifice were suddenly demolished, what would happen, and what would then be the basis of our economic life?

We must proceed slowly and systematically with this work of demolition. It should be entrusted to some central organ consisting of representatives of all the countries whose duty it would be to re-establish the reign of individualistic economy. After having given publicity to the principle, this organ would draw up a complete scheme designed ultimately to establish a system of economy free from external control—in other words a system based on liberty.

The process will obviously be a lengthy one; but we must hope that the standard of living, which at present varies so widely in the different countries, will then become practically uniform, and thus facilitate a return to individualistic economy.

Lastly, it is most important to bring out the difference between fiscal or social measures properly so called and measures of an economic character. I am convinced, however, that, when we have achieved this, the human mind, gradually regaining its natural liberty, will acquire a freshness, a moral sense and a spirit of solidarity which cannot but lead to further progress.

Mankind will then become more humane, and we shall be able to consider the question of war debts on its merits; whereas now many States, having to pay in their budgets for the follies of the past, are thus prevented from fulfilling their elementary duties.

In conclusion, gentlemen, it is my firm conviction that modern society will find a means of demolishing its economic structure before that structure collapses of itself. Its collapse would be a dire disaster, for we have not yet found any means of erecting another in its place.

EDUCATION AND PUBLICITY: ADOPTION OF A RESOLUTION PROPOSED BY PROFESSOR CASSEL (SWEDEN) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President:

Translation: The next item on the agenda is the discussion of a resolution on education and publicity proposed by Professor Cassel and submitted to the plenary Conference by the Co-ordination Committee.

Professor Cassel (Sweden) will address the Conference.

Professor Cassel (Sweden):

Mr. President, ladies and gentlemen — This Conference has made a series of excellent recommendations. If all nations adopt them wholeheartedly, and without paying too much attention to the limitations and exceptions which the Conference has been obliged to insert, immense progress is within reach. For this purpose, the co-operation of all leaders of public opinion and, first of all, the co-operation of the Press is required. Leaders must always remember that they are leaders and that they have to be a little in advance of current opinion. We cannot hope to persuade nations to act against their true interests. At the utmost we can hope that they may make mutual sacrifices for the common good. But there is plenty of room for improving people's ideas of their own true interests and, by eliminating pernicious economic fallacies, opening their eyes to the great and substantial advantages of an international division of labour and international economic co-operation.

Material of immense value has been collected for this Conference and has been a most important basis for its work. But the Conference has not had time to digest it completely and has been unable to draw all the necessary conclusions from it. This material ought not to be laid aside on dusty shelves and forgotten. It must be used to make a more exhaustive and more profound analysis of the present economic situation of the world. For this work we look, in the first instance, to the competent economic staff of the Secretariat of the League of Nations. But the co-operation of theoretical and practical economists throughout the world is necessary to clear up the question. Further, all educational forces (here again, particularly the Press) have to give their best services in spreading this new knowledge to wider and wider circles.

I therefore venture to lay before the Conference the following resolution:

"The Conference recognises that the reception and successful application of the principles stated in the resolutions of the Conference depend not only upon the good-will of Governments and Administrations but upon an informed and supporting public opinion throughout the world, and for this purpose would welcome, in the economic as in other fields, the development of closer international co-operation by scientific and educational institutions, as well as the help of the Press and other agencies of importance, for the information and enlightenment of the public."

The President:

Translation: As no one has asked to speak, I will put the resolution to the vote.

The resolution was adopted.

The President :

Translation : M. Varga (U.S.S.R.) will address the Conference.

M. Varga (U.S.S.R.) :

Translation : While unable to approve the statement of reasons contained in this resolution, as this statement gives an incorrect view of the conflicting interests of the various social classes and the differences in economic policy resulting therefrom, the Soviet Union supports the proposals contained in the second part of Professor Cassel's resolution.

**GENERAL STATEMENT
BY M. DANAILOFF (Bulgaria).**

The President :

Translation : M. G. Danailoff (Bulgaria) will address the Conference.

M. Danailoff (Bulgaria) :

Translation : Mr. President, ladies and gentlemen — I have asked to speak in order to fulfil a duty : I desire to thank the President and all the members of the world Economic Conference for their kind expressions of sympathy with our delegation in its grief at the loss of our colleague, M. Cyrille Popoff, whose great abilities were of inestimable value in the study of statistics both to our own country and to the whole world. Indeed, but for his innate modesty he would have been far better known. I need only remind you that it was he who organised the last census in Bulgaria on December 31st, 1926. This census was carried out on the American system and thus included a wealth of economic data, a point to which he attached particular importance. He was eminently successful in this great task. Not only did he collect the fullest data, but he succeeded in the short space of thirty or forty days in producing a volume in Bulgarian and French showing the provisional census figures.

M. Popoff's death was a severe blow to our delegation and caused a great setback in its work. We were unable, at the general discussions of the Conference, to present the special statement which we had intended to make and which would undoubtedly have influenced the work of the Conference.

In view of these circumstances, the President of the Conference kindly offered to allow me to make my statement on Saturday afternoon. I saw, however, that if I made it then I might be interrupting the discussions on the reports of the different Committees, and accordingly requested the President to let me speak to-day. I trust that the Conference will see no objection to this course.

Mr. President, ladies and gentlemen — Our main purpose in coming to this Conference was to hear what nations older and more advanced than ourselves might have to say, and to learn from the experience of the world as a whole lessons which would help us to solve the problems with which we have been faced since the war owing to the extremely difficult conditions obtaining in our own little country.

Bulgaria is a small State, with a very special economic structure. Our production is mainly agricultural ; our landed properties are small and uniform in character. The technical equipment in common use is somewhat primitive. We have therefore much to learn from the more advanced peoples who are represented here by so many different organisations, and who, though they complain of the severity of the present crisis, have

nevertheless succeeded in making excellent use of their labour supply and of their scientific and technical achievements. But although ours is a small and economically almost undeveloped country, we are a European State and have played our part in European history and in European economy. The commodities we buy and sell are not without their importance in the economic scheme of Europe, and our experience — limited though it may be — of the complex mechanism of the European market may perhaps be worth considering and our particular point of view may be worth hearing in this effort to deal with the problems now before the Conference.

We also have our share in the trade of Europe, and in order to satisfy the conditions and meet the requirements of the European market we have adapted and specialised our agricultural products, which include attar of roses, vegetable and fruit seeds, corn, maize, flour and tens of millions of kilogrammes of tobacco.

To-day, however, we find that the situation in the European market has unexpectedly brought us very near to disaster. Three years ago, that market absorbed every scrap of our peasant-grown tobacco, but to-day stocks amounting to more than 20 million kilogrammes of well-cured leaf are thrown on our hands. Two years ago, our flour, the high quality of which is well known, was sought after in all the neighbouring markets of the Aegean Sea. We only managed to keep the minimum necessary to support our population by imposing high and indeed almost prohibitive Customs duties. To-day, even the flour we have exported, and on which we have paid freightage, has had to be sent back to us on account of Customs difficulties, and the exporters have been ruined.

These unhealthy economic symptoms are the outcome of the particular conditions obtaining in our own country ; but they undoubtedly exist in other countries as well, and it is for the eminent experts whose views we are anxious to hear at this Conference to explain their causes and suggest remedies for them. I have heard and read with great satisfaction the suggestions put forward by the distinguished representatives of the different economic schools and circles. I have analysed their proposals for myself. I have tried to see how they could be applied to the economic conditions in Bulgaria ; and I have come to the conclusion that much still remains to be said and done if the common aims of this Conference are to be attained. Accordingly, my personal views and ideas will not perhaps be without their value, more especially as I shall venture to draw your attention to certain aspects of the questions before us upon which none of the previous speakers have touched. My country being small and primarily agricultural in character, my observations are necessarily limited in scope. I may add that, though I am an advocate of civil democracy, I am essentially a theorist and not a capitalist.

There are three questions to which I should like to draw the attention of the Conference. The first of these is :

The application of the economic institutions and methods of one country to other countries.

We have come here to organise and unify, and to recommend and promote the advancement of such institutions as show evidence of permanence and conduce to economic progress. Capitalism, first and foremost, with its special economic code, provides the opportunity and in some cases creates the necessity. Nevertheless, I think that we should be careful, particularly in our resolutions, to fix a definite limit for adaptation. I have known many cases of adaptation in my own

country, but I only propose to give you two or three. Bulgaria was one of the first countries to adopt the eight-hour day after the Treaties of Peace. As a Professor of political economy I strove for years to bring about the introduction of the eight-hour day; but now that it has been put into practice I find it has given rise to innumerable difficulties. It presupposes — I need not go into further details — a relatively high technical standard of labour and a high output per hour of work; yet this is not the case generally and it is not the case in Bulgaria.

Here is a further example: Bulgaria has adopted the International Labour Office draft Convention and has passed a law dealing with unemployment. The problem is not so grave as in Western Europe, but we have one special kind of unemployment which is much more serious. Many intellectual workers of both sexes in the towns and villages who have no definite trade are out of work, or are only occupied at home and have no opportunity of contributing to the economic activities of the nation as a whole.

Europe and European civilisation can learn much from our country as regards attempts to adapt foreign ways and methods. We are all talking of the prosperity of the United States, and it seems to be thought that, if we borrow the economic institutions which have been established in that country, the results will be equally successful in our own. But that does not always follow.

Europe has her own peculiar conditions; her evolution has been attended by difficulties connected with nationality, race, State frontiers and prejudices of all kinds. These difficulties still exist to-day, and indeed are so acute that in some places children are forbidden to study in their mother-tongue or to worship freely in their own churches. The United States, on the other hand, have developed on liberal principles as regards social, religious, linguistic and other conditions. They have no national, racial or other frontiers; their development has been unattended by the prejudices that exist in Europe. Moreover, natural conditions in the north and south and in the east and west of their vast territory supplement each other, so that the whole forms a self-contained national economic unit. This is not the case in any European country, except perhaps in Russia. As Sir Max Muspratt explained so clearly, Europe has always been handicapped by the economic necessity of obtaining raw materials, on the one hand, and disposing of her industrial products, on the other. Thus iron is cheap in Germany but the price is going up in Bulgaria, while, as regards corn, flour and tobacco, the position is just the reverse.

I think therefore that, having come here to devise some scheme for the economic recovery, stability and progress of every country, we should beware of lightly suggesting the adoption by one country of institutions and customs obtaining in another. We should study questions from the broadest point of view and in every possible light. In other words, we must determine the economic laws governing the evolution of our chief institutions and leading to material progress; or, to speak more precisely, we must determine the laws on which the modern capitalist system is based.

This brings us to the second question.

What are the economic laws, the economic characteristics of capitalism?

In my view, they consist in:

(a) Lack of proportion in the organisation of production; and

(b) Lack of order and want of organisation in the exploitation of capitalist industries.

I will endeavour as briefly as possible to make these two points clear.

I might mention that the best definition of modern capitalism ever given is that of the pre-Revolution Russian economist, Tougan Baranovsky. Nowadays every individual capitalist concern is organised down to the smallest detail — is organised to perfection, in fact.

The position as regards human output and mechanical output, invested capital and floating capital, is checked by a perfect system of accountancy. Every individual enterprise offers to-day an example of human organisation which, in itself and as a separate unit, works with perfect smoothness and stability. But all these perfectly organised undertakings meet in the market — the basic institution of capitalism — and here troubles of a very special kind begin. None, or very few, of these perfectly organised undertakings can withstand the unexpected shocks on every side. These are always severe and sometimes fatal, for the peculiar characteristic of the capitalist market is its uncertainty. At one time it may be ready to absorb large quantities of goods and thus tempt the unwary producer to expand his business. At another time its demands will be negligible as compared with the supply, and the effect upon these highly organised concerns will be precisely the opposite. In either case the effect upon the capitalist concern is disastrous.

Many ways have been suggested of remedying this disparity between production and market needs, and many of them have been and are being tried, though with no great measure of success up till now. There is at present only one rational means, however, and that is the organisation of the big undertakings — indeed, of all undertakings. In this connection, America furnishes a very useful example to industrial Europe. I allude to a concentration of all undertakings, either on a horizontal or on a vertical system, even to the extent of the fusion of all businesses into a single concern. This is the only means of eradicating the worst evil of capitalism — disproportionate production and the uncertainty of the market.

The task of the new capitalist Europe must be to enable production to regularise and control the market, so that the latter may hold no more terrors for those who create economic wealth and may no longer have power irrationally and aimlessly to destroy them. Consequently, it is the primary duty of every country, and more especially the countries of Europe, to organise capitalist concerns on broad general lines with reference to market requirements. We should not allow our attention to be diverted either by rationalisation, which exists everywhere in European industry, and particularly in Germany, or by standardisation, which has been a feature of European technical organisation since the beginning of the nineteenth century, when England introduced mass production by machinery. The European economic system can save itself only by organisation, by greater, closer and more general organisation.

To continue: the second predominant characteristic of modern capitalism is lack of order and want of organisation in the different branches of production and transport. In every field the creation of new enterprises is free from restriction of any kind; it is conditioned wholly by individual taste, by personal considerations. That is what keeps the capitalist order in a state of fear and uncertainty. The creation of new enterprises is becoming a social-economic disease which almost invariably ends in disaster to the whole scheme of

national economy. It is a special kind of wastage of private capital, and is fatal to the national economy as a whole, because it leads to disorder and disorganisation everywhere.

To illustrate my view of this phenomenon, I will give two examples from my own country. The corn-milling industry in Bulgaria has had a very remarkable history. In 1904, there were about 12,000 small water-mills in a territory having an area of 96,000 square kilometres and a population of 3,310,000. A few machine-driven mills were installed at Sofia, Varna and Burgas. In 1904, the Varna Chamber of Commerce organised the first Congress of Corn-Millers, which decided upon the modernisation of the industry. The movement proved successful. Big mills were erected, capable of producing from ten to twenty-five wagon-loads of flour in twenty-four hours. It became a veritable craze, more especially after the war, and machine-driven mills began to spring up even in the villages. Many millions of the national savings were sunk in this industry, and now all these mills have been closed and are standing idle because their general output capacity is so much greater than the corn-growing capacity of the country.

Similarly, a number of foreign firms started business in Bulgaria in the tobacco trade after the war. Competition was keen; overhead expenses were enormous; the directors of some of these firms, once minor officials, received salaries higher even than the King's civil list. Every competing firm sank large capital sums in the construction of enormous and palatial warehouses. In their struggle for supremacy, these firms increased the price of tobacco and aroused among tobacco-growers an unreasoning desire to extend the area under cultivation, regardless of the requirements of the European market. The result to-day is a disastrous artificial depression; millions of kilogrammes of tobacco have been thrown on the producers' hands. This is an example of the lack of order and want of organisation in industrial exploitation, due to the peculiar characteristics of modern capitalism.

The evil is an avoidable one, but the only remedy for it is organisation. This can be effected by State intervention, which, however, is quite unnecessary if the capitalist undertakings will organise themselves. If the Bulgarian mills are organised, we may be spared further waste of Bulgarian capital. The organisation of the tobacco concerns might save ten million leva of capital, cut down overhead costs and — most important of all — enable Bulgarian tobacco to compete in the European market. In this connection I suggest that it should be possible to organise the sale of all tobacco grown in the Near East — Turkish, Greek, Bulgarian, Macedonian and the rest — and that, overhead costs being thus reduced, it could be placed on the European market at a lower price.

The disorder and disorganisation of to-day must therefore be replaced by organised production. We shall thus avert the waste of national capital, the collapse of business concerns and the ruin of private individuals. We shall prevent, in fact, all that discourages or hinders national production. This can only be done by the universal organisation of capitalist undertakings. It matters little what name we use. We may term these enterprises trusts or cartels; we may find some new name for them; we may "Europeanise" them — that is immaterial.

I am well aware that many here and many in the circles represented here and in society in general will not entirely agree with me, and will perhaps quote the negative consequence of my proposal in confutation of my argument. But

is it not true that the United States owe their economic success to the way in which they organise their capitalist concerns, without this in any way injuring the interests of consumers? We may therefore leave academic minds to argue the pros and cons of the matter. Meantime, life makes certain claims upon us. Life brings us face to face with stern necessity, and, if we fail to realise and observe economic laws, those laws themselves will compel us to obedience by the further sacrifice and suffering that they will bring upon mankind.

I hasten to add that the organisation of the modern capitalist system is not the only desideratum. There is another great current problem to which I should like to refer for a moment. This is my third point, and I would venture now to draw your attention to it.

I refer to the output capacity of labour itself, one of the most important questions calling for examination by a World Economic Conference such as this. The economic standard of a country should be gauged by the output capacity of its labour and not by the quantity of gold or land or forests which it possesses; for it is labour that converts these assets into tangible benefits conducive to the general well-being of society.

When I hear members of this Conference advocating the interests of the consumer and cheap production, I cannot help thinking how far we are from the real truth of the matter. The problem is not how to give the worker a commodity at a low price but how, by increasing output capacity, to raise the income of the manual or intellectual worker and thereby increase his share in the total national income, or in other words to ensure that he shall participate in the steadily increasing profits on capital. The following are the stages in the solution of this social and economic problem: We must increase the individual output in industry; the income of the community will then be increased; the worker will have a bigger share in the income of the community; purchasing-power will be increased; cultural needs will increase in every class of society and will be satisfied.

This third aim, however, can only be realised by a general and comprehensive scheme for the organisation of capitalist activities, which would bring about international economic unity and do away with inequalities between the different nations.

Thus there is another aspect of the problem, and one which this Conference must bear in mind. There is a vast disparity between the economic level of civilisation in the different countries; in other words, the economically weaker nations are exploited by nations that have made greater strides in culture and technical progress. This exploitation is a very important factor.

The matter is so clear as to be self-evident. No one will deny that there are immense differences in output capacity as between different countries. The fact that a British or German worker can turn out in one hour what it would take a Bulgarian worker ten, fifteen or twenty hours to do — owing to the difference in methods — is clear evidence of an inequality, a disparity, which we cannot ignore, and which, in the Bulgarian delegation's opinion, calls for careful enquiry. In circumstances such as these there can be no such thing as economic equality or that solidarity between nations which is so highly desirable. Our decisions should therefore be directed towards the following end:

We must enable these weaker nations to intensify their workers' output, so that Bulgarian corn and Bulgarian tobacco, for instance, can be sold on the German market at the prices obtained for corn and tobacco of German origin.

Here, too, the principle to be aimed at is the general organisation of the separate units, as in the modern capitalist economic system.

I now come to my general conclusions.

The nations of Europe and mankind in general are passing through a great economic crisis, which was undoubtedly caused by the world war. Expert opinion was once unanimous in the belief that the crisis would soon pass and that pre-war prosperity would return. But that has not come to pass, and will not happen now. It is for us to set in motion machinery which will transform the present world economic system and bring about a general revival of prosperity.

Europe experienced a similar period of suffering and disorganisation after the great Napoleonic wars. Then, however, a revival came relatively soon, thanks to British inventive genius, which devised new methods of mass production by machinery and applied steam power to land and sea transport, thereby increasing the output of labour.

To-day we cannot discern any difference in post war methods which would effect the necessary change and bring about quick and radical economic reforms.

I agree that we are now witnessing certain changes in methods of production and transport which will undoubtedly make a difference, and there have been other readjustments and changes in the general economic structure of the world. But these isolated factors are much too unimportant to bring about any radical improvement in present conditions. In my opinion there are only two factors that can really be brought to bear on the situation.

In the first place, it is essential to put an end to those conflicts between capital and labour which, since the war, have been sufficiently frequent to prove that capitalism and its institutions must remain the basis of world economy, because capitalism possesses the innate power to transform itself and adapt itself to changing conditions. It is to this reconciliation between capital and labour — of which we see evidence in the present Conference, where trade-union leaders and representatives of capitalist organisations are assembled in conference — to this reconciliation, I say — which is most clearly marked in the International Labour Organisation — that we must look for the new creative force, the new post-war civilisation of Europe.

The Napoleonic wars were followed in almost every European country by revolutions based on class differences. To-day we are experiencing the moral after-effects of the great war. They are relatively less violent, and we are remedying the defects we find in social-economic institutions by evolutionary methods, by the mutual concession of rights and privileges. I feel sure that Marx himself, when he launched his campaign for the eight-hour day, never expected his dream to be realised so soon or by other than revolutionary methods. If such methods can be avoided, capitalism will gain strength and make further progress.

The second factor is the organisation of capitalist enterprises, of national and international institutions and, through the instrumentality of the latter, the transformation of national economic systems into an international system, and of individual national interests into general international interests. In September 1925, I heard in this hall the representatives of the two great European democracies, France and England, propose a Protocol for security and peace. The Bulgarian representatives were actually among the first to sign that Protocol, for it was only when we had experienced the havoc wrought by

war that we learned the true meaning of peace and the peaceful development of nations. Yet I was still pessimistic, because as an economist I realised that, even if political peace were an established fact and the nations were really disarmed, there could still be no peace for the world while economic rivalry remained. I thought then, as I think now, that the road to peace lies through economic *rapprochement* and the fusion of economic interests. That is why the action that the League is taking now should be given every support.

An international economic *rapprochement*, a general united effort to restore the output capacity of labour, the producing power of the individual in every land, a sound and comprehensive scheme for the organisation of capitalist enterprises, cutting across State frontiers and linking the nations one to another as parts of a single whole — mankind: those are the means whereby we shall prevent war; for the only human power that can prevent war and bring us within measurable distance of peace is the close, intimate and indissoluble solidarity of capital interests.

The prime need of every nation is for lasting peace. This is particularly true of the smaller nations, and not least of Bulgaria.

REVIEW OF THE WORK OF THE CONFERENCE.

The President:

Translation: M. Shidachi (Japan) will address the Conference.

M. Shidachi (Japan):

Mr. President, ladies and gentlemen — I wish to say a word of congratulation upon the fact that the arduous work of this Conference has received such abundant recompense in the form of the remarkable resolutions and recommendations which are before us, and of others equally valuable which have still to be submitted. They are all the more remarkable when we consider that they represent divergent opinions and interests prevailing in different countries. They not only point out the common goal of humanity and pave the way to a new epoch in the world's economic relations but they eloquently and concretely demonstrate the co-operative and constructive spirit that has been manifest throughout these discussions and upon which spirit the peace of the future must be founded.

Many of the problems we have discussed are primarily European, but the conclusions adopted have so happily incorporated our desires and suggestions that they cannot but emphasise the solidarity of the world. They include, for instance, the reduction of protective duties, a broader interpretation of the most-favoured-nation clause, rational utilisation of natural resources, international standardisation of materials and commodities, education of small agriculturists and, not the least, the recognition of the importance of the world co-operation of producers and consumers. Commendable as these conclusions are, the study of the problems is by no means concluded.

While recognising the importance of these resolutions and recommendations, we cannot bring ourselves to believe that the world has attained the fullest measure of satisfaction until and unless we shall have solved the problem of its population so inequitably distributed both intra-nationally and internationally. The solution of this problem is one of the fundamental and final conditions of the world's peace and prosperity.

There is yet another problem still untouched which may be characterised in that all-inclusive word "freedom": freedom of movement of capital, freedom not only of the movement of

merchandise but also of persons ; freedom not only of overland trade but also of all inter-oceanic traffic. Nor have we dealt adequately with the question of the stabilisation of currency. However difficult the task may be, it still awaits our careful thought. We see no reason why this cannot be accomplished if we approach the problem in the same spirit of co-operation and conciliation, of mutual tolerance.

The most vital question of immediate importance, however, is, of course, what is to be done with these resolutions and recommendations. In this connection it is well, I believe, to keep in mind two factors, that of utilising the existing organisations and, that of affording full opportunities to non-Members of the League for unrestricted participation. It is my ardent hope that these resolutions and recommendations will soon be put into speedy execution and that they will find concrete expression in our daily economic activities and transactions.

In this connection, I desire to state that we, the Japanese members, are agreed that we should do all in our power to popularise in our country the principles involved in the resolutions. Thus can we work in unison with our distinguished colleagues from different countries in this all-important campaign of education to create public opinion and thereby perpetuate the spirit of international co-operation, co-ordination and conciliation.

Finally, I wish to remember gratefully the part played by the economic organs of the League of Nations and other collaborators, without whose patient and wise assistance the success of the Conference would have been wellnigh impossible. Last, but not least, I would refer to our indebtedness to our esteemed President and other officers of this Conference, who have so successfully guided what is destined to be one of the greatest Conferences in the history of mankind.

The President :

Translation : Mr. O'Leary (United States of America) will address the Conference.

Mr. O'Leary (United States of America) :

The delegation of the United States of America has been glad to support the resolutions of the Conference on the rationalisation of industry. In the United States of America rationalisation has been a very important factor in both industrial progress and general prosperity.

As a result of our experiences, we feel it desirable to submit a suggestion, not brought out in the resolutions, and referring to the desirability of enterprises for development of new resources which are inadequately utilised. Much of the discussion before the Conference has emphasised the difficulty of finding markets for the products of European industry and the disparity between productive capacity and consumption. The difficulty and disparity appear to exist especially in the mining industry and the heavy manufacturing industries. The production and consumption of commodities intended for immediate use has in general reached, if not exceeded, pre-war proportions. The same is not true of the production and demand for capital goods.

This phrase "capital goods" refers to these products, largely derived from the mining and heavy manufacturing industries, which enter into the creation of permanent productive plant and equipment. If the production and use of capital goods could be materially augmented, much additional employment would result, and this would also increase the purchasing-power of the community for immediately consumable goods.

Before the war, a large part of the demand for capital goods lay in the development, not only in the principal industrial countries themselves but throughout the world, of new natural resources or resources only partly utilised, in the creation of new enterprises of transportation, public improvement, mining, forestry, agriculture and manufacturing. The development of such enterprises immediately before the war was proceeding at a pace which was almost if not quite unprecedented. The war almost entirely put a stop to new enterprises of this character and they have been resumed since on only a very greatly reduced scale.

The United States delegation believes that the time has come for the resumption to a larger extent of this work of opening up the world's resources. Such resumption would bring with it an increase in the demand for capital goods which would aid greatly in restoring the general activity of industry.

We are aware that there are difficulties in finding the capital necessary for such development. Public interest, however, which would be stimulated by creative enterprises of this character, enterprises which make a somewhat dramatic appeal to the mind, would tend to increase saving on the part of the people and thus provide more capital than would otherwise be available. Reckless and ill-considered enterprises must, of course, be avoided. For sound projects it is believed that co-operation is possible among the industrialists, bankers and investors of the several countries in such a way as to make available for enterprises of this sort in all parts of the world the relatively abundant capital of those countries which are most fortunate in this respect.

It would not be proper at this time to attempt to suggest more specific measures, but our delegation believes that this entire subject deserves careful consideration on the part of the Governments and business men and the general public of the various countries. Sound projects for the development of new or inadequately utilised resources have the double advantage of creating immediate demand for capital goods and of bringing about, when the enterprises are completed, new productive capacity and, consequently, new buying power for immediately consumable goods as well as for capital goods.

There exists in the world much wealth. Through development, this wealth will be available. The constructive forces of this Conference may well lend their effort to the prompt consideration of the developments suggested.

The President :

Translation : M. Tournakis (Greece) will address the Conference.

M. Tournakis (Greece) :

Translation : Having reached the conclusion of our joint work, we cannot but note the interest that has been excited among the general public by the Economic Conference. It has given rise to all kinds of hopes, to criticism and to fears as varied as they are numerous. Everyone is wondering whether it will be possible to arrive at really practical results or whether we shall have to confine ourselves, after a purely theoretical examination, to uttering Platonic hopes in the form of resolutions.

M. Jouhaux's scheme has attracted particular attention, and upon it, too, are concentrated the chief criticisms. The French delegate's plan means that lengthy study will be required in order to arrive at acceptable solutions in a matter so

complex as the one under consideration. If mankind is to obtain any real improvement and find a remedy for its ills, a lengthy task lies before us. Serious investigation and persistent effort are essential.

I now propose, however, to consider whether it may not be possible even at this stage to advance a little way along the path of progress. We hesitate to raise certain questions and to propose premature solutions for *de facto* situations, for fear of injuring national interests. But if we set about finding the principal causes of the present unrest, with a view to their gradual and total elimination, we should no longer meet with the same obstacles. We should, on the contrary, be acting in the highest international interests.

Unfortunately, the Preparatory Committee excluded from the agenda all questions not of a purely economic character. In so doing, it failed to realise the interdependence of the different social factors. Economic questions form, together with cognate social questions, a complex whole, which does not admit of arbitrary division into separate parts to be dealt with independently. We must not forget, for example, that demographic conditions play an important part in economic life. The effects of over-population, which in certain States used to be obviated by means of emigration, are now becoming apparent. The closing of certain countries to immigrants and the restrictions recently introduced as regards the movement of populations, more particularly under the Migration Restrictive Act in the United States, have created new conditions to the detriment of countries which formerly succeeded in maintaining their national economic level only by exporting labour. In order to make up for this, these countries were obliged to erect Customs barriers so as to enable the national industry to absorb the surplus working population, to keep down unemployment and, by means of artificial conditions, to defend themselves against foreign competition.

As a result, sickly industries arose, abnormal in origin and in development, and unable to give their workers proper wages. The crisis was further accentuated in countries that were suffering at the same time from currency inflation. We find the most marked protectionism in the Slav and Southern European countries, which, as you know, were worst hit by the American Act restricting immigration. The connection between these two phenomena is clear.

But if the United States have closed their doors to the Mediterranean and Slav labour contingents and thus succeeded in erecting high barriers to protect their workers against the lowering of wages by foreign workers, many untouched fields still provide openings for human activities, in Australia, in North and South America, in Asia and in Africa, countries that require foreign labour to exploit and develop their natural riches.

In these immigration countries, however, which are as yet little known to the working masses, colonisation conditions are unfavourable. The Government authorities there cannot supply definite information concerning the economic and social conditions applicable to immigrants.

Further, many Governments, instead of encouraging and directing emigration, are afraid to let their workers go and are endeavouring to industrialise the country, in order to maintain or even increase the population, this being in their view the only means of increasing their power. They are thus tending more and more towards imperialism.

The only way to remedy these drawbacks is to organise the labour supply and demand on the international market, and to create a vast

information system, showing the possibilities of work in the different regions, in order to facilitate migration in both national and international interests.

It might thus be possible to reintroduce healthier conditions of production, for we should thus eliminate what is, to my mind, the most serious obstacle to freedom of movement in the matter of labour, namely, ignorance of the possibilities as regards work and adaptation.

Accurate up-to-date information would make it possible to establish the pre-war current of migration, while safeguarding the nations from the dangers of badly organised emigration. Emigration countries might be relieved of their surplus labour, while the international "labour-capital" could move freely, and in such quantities as might be required, to the points where it was most needed.

An idea which I suggested two years ago to M. Albert Thomas, the eminent Director of the International Labour Office, and which I think it may be useful to explain further and to ask this Conference to study with a view to putting it into effect, is the establishment of an International Labour Exchange, whose principal duty would be to assist in the distribution of workers according to the requirements and resources of the different nations.

Let us turn now to another question, a problem which to my mind calls for our very special attention: I mean Customs barriers.

Mr. Layton, referring to the post-war map of Europe, observed that Customs barriers, as the result more particularly of the disintegration of the old Austro-Hungarian Empire, have increased by 11,000 kilometres and that the seven small economic units which came into being on the conclusion of peace form, in the present world economic scheme, a veritable "anarchism" of individual organisms, each persuaded that its prosperity depends upon the ruin of its neighbours. His observation is very sound.

The situation is even worse in the Balkan Peninsula. Although the small nations form together a single economic entity, each one of them maintains complete isolation. Thus there is no direct railway communication between Bulgaria and Greece, or between Albania and Serbia or Albania and Greece. Some idea of the isolation of these countries may be obtained by reference to their foreign trade statistics.

These show that Greece is the only State that has engaged in inter-Balkan trade. I am happy to inform you now that we are endeavouring to strengthen the economic and political bonds between our country and the rest of the Peninsula. As proof of our desire we have founded a Balkan Rapprochement League, which numbers among its members statesmen and persons well known in the world of politics, economics, science, journalism, trade and industry.

This League is in close touch with persons of note in the Balkans and is working hard to bring about an inter-Balkan congress to study questions affecting the economic and social interests of the nations in the Peninsula. The entente might even be extended later so as to include other States, with the port of Salonika as headquarters, and similar ententes might be constituted to group together the peoples around the Danube, the Rhine, the port of Danzig, and elsewhere.

Small ententes such as these would in themselves lead to practical results. But they cannot be brought about by individuals or isolated nations: they would have to form part of an international scheme, and that is why I suggest to the Conference that it might be expedient to encourage and,

if I may say so, to "patronise" this movement and to promote the conclusion in economic matters — as in the case of peace — of special covenants between groups of nations.

In conclusion I would urge:

1. The institution of an International Economic Council in the form proposed by M. Jouhaux;

2. The creation of an International Labour Exchange to be attached to the International Labour Office;

3. The conclusion of economic covenants between groups of nations; and

4. The creation of an International Agricultural Credit Bank.

ELEVENTH MEETING

Held on Monday, May 23rd, 1927, at 4 p.m.

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LIMITATION OF EXPENDITURE ON ARMAMENTS: ADOPTION OF A DRAFT RESOLUTION PROPOSED BY M. ÖRNE (SWEDEN) AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President:

Translation: The first item on the agenda is the discussion of the resolution proposed by M. Örne regarding expenditure on armaments. This resolution is submitted by the Co-ordination Committee to the plenary Conference.

M. Örne (Sweden) will address the Conference.

M. Örne (Sweden): The report of the Brussels Financial Conference, published in October 1920, emphasised the importance of "securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still imposed on the impoverished peoples of the world, sapping

their resources and imperilling their recovery from the ravages of war". In the three succeeding years (1921, 1922 and 1923), a considerable reduction in defence expenditure was effected in a large number of countries, but the level then reached has remained almost unchanged up to the present time, the decreases which have taken place in three or four countries (and among them my own country, Sweden) having been offset by increases in the armament expenditure of two other countries.

But what is that level? Calculations based on figures published in the *Armaments Yearbook* show that, if war pensions be excluded, the total current defence expenditure in the world as a whole amounts to more than 19 milliard gold francs (3,800 million dollars) and that the expenditure in Europe is between 11 and 12 milliard gold francs per annum (2,200 million dollars). Though the Peace Treaties limited the defence organisations in four European countries, the last-mentioned figure is about the same in gold as in 1913, when war preparations had reached their highest point, so that the only alleviation in the burden of armaments as compared with the level before the war is measurable by the fall in the purchasing-power of gold.

To realise the magnitude of the sums devoted by Europe each year to armaments, we may compare it with the amount of capital transferred to the continent of Europe during recent years, transfers which, in the unanimous opinion of those who have spoken on the subject at this Conference, have been of the utmost importance for world recovery. It will be found from the statements of the balance of payments that the sum of 11 to 12 milliard gold francs, which is the annual outlay of Europe on armaments, exceeds the aggregate amount of new capital lent by the United States of America to Europe in the four years 1923, 1924, 1925 and 1926, and is more than twice the amount borrowed abroad by Germany since the stabilisation of her currency in the autumn of 1923.

I should like to lay stress upon the fact that all the data that I have quoted have been taken from official documents, the *Armaments Yearbook* of the League of Nations, the estimates of balance of payments made by the Department of Commerce in New York and statements by the President of the Reichsbank. In view of these figures, the Economic Conference can hardly avoid expressing its concern, from an economic point of view, at the heavy expenditure on armaments and urging on the

Council of the League of Nations and the various Governments of the world the importance of the rigorous reduction of such expenditure.

For this reason, Mr. President, I ask leave to move the following resolution :

Whereas the world as a whole still devotes considerable sums to armaments and to preparations for war, which reduce the savings available for the development of industry, commerce and agriculture, and are a heavy burden upon the finances of the different States, entailing heavy taxation which reacts upon their whole economic life and lowers their standard of living.

The Conference expresses the earnest hope that all efforts to effect, by agreements between States, limitation and reduction of armaments, and particularly those under the auspices of the League of Nations, will have successful results and thus alleviate the burdens described above.

The President :

Translation : M. Sokolnikoff (U.S.S.R.) wishes to speak on this resolution.

M. Sokolnikoff (U.S.S.R.) :

Translation : I desire on behalf of the Soviet delegation to make the following statement concerning the resolution on disarmament.

At previous discussions on disarmament the Soviet delegation proposed a much more definite formula, making it obligatory to abolish armaments altogether.

Nevertheless being desirous of supporting every step designed to further the interests of world peace, it will vote in favour of the present resolution, which it regards as a minimum effort.

At the same time the Soviet delegation does not share the hopes expressed in this resolution as regards the possible action of the League of Nations in the matter of disarmament.

The President :

Translation : I now put M. Örne's proposal to the vote.

The resolution was unanimously adopted.

REVIEW OF THE WORK OF THE CONFERENCE (continuation).

The President :

Translation : M. Obolenski-Ossinski (U.S.S.R.) will address the Conference.

M. Obolenski-Ossinski (U.S.S.R.) :

Translation : Mr. President, ladies and gentlemen — The work of the world Economic Conference is nearing its conclusion, and the present moment appears to me to offer a suitable opportunity to draw certain conclusions from the point of view of the Soviet delegation.

Members of the Conference, Press representatives, the public, and all who have been following the proceedings of the Conference have been asking one another the same question during these last few days : Has the Conference been a success, or have its activities resulted in failure ?

I shall endeavour first to reply to this question.

In the view of the Soviet delegation, the Conference might have proved a great success, and a very real success, if the decisions passed and the practical measures derived therefrom — to quote my first speech — had been such as to "remedy the worst of these contradictions, to improve the

situation of the workers and to facilitate the transition to a new era of world economy".

Such a success would have involved the acceptance of the Soviet delegation's proposals, which were set forth in the eleven points mentioned at the end of the speech I have just quoted. As you know, these proposals were not accepted, and most of the questions with which they deal were not even examined by the Conference.

The representatives of the capitalist States present here had assigned another task to this Conference, and tried to find other means of promoting what they called "the alleviation of world economic difficulties".

These means they sought to find by making minor changes in the economic and social policy of the capitalist States. They were thus helping to consolidate and stabilise the capitalist system, wherever it exists. Are such achievements of any value ? Does this Conference, in the opinion and judgment of those assembled here, represent — for the moment, of course, only psychologically — any real progress in the stabilisation of the capitalist economic system ? For such stabilisation is a fact, as we have repeatedly noted. Its existence is not assured for ever, or even perhaps for very long, but at present it is a fact.

If this Conference really marks a further step in this direction, it must be confessed that it is only a very timid one, considering the acute differences of opinion and the divergency of interests and the enormous difficulties presented by the arrangement and the abstract form of the decisions taken, which are themselves due to those differences and that divergency.

One very far-reaching question was submitted to this Conference. I refer to the question of establishing measures for the peaceful co-existence of two economic systems — the socialist system in the Soviet Union and the capitalist system in other countries.

The Soviet delegation suggested this practical formula, a formula which is inevitable in view of the *de facto* co-existence of the two systems and the structural links which exist in the world economic system. In proposing this formula we did not renounce a single one of the principles upon which our socialist system is based. We spoke advisedly of the co-existence of two different, two opposed economic systems.

Does this Conference mark a step forward towards the practical realisation of our proposal ? It does. That is an actual fact, and it is one of the successes achieved by the Conference. This fact, like many others, is not yet fully established, but in the relevant resolution the principle has been enunciated sufficiently clearly.

As regards this point I should like to refer to a statement made by M. Jouhaux to the French Press. M. Jouhaux thinks we are inconsistent in condemning his very enthusiastic attempt to arrive at a compromise with the capitalist class while at the same time ourselves concluding compromises with the capitalist States.

Surely M. Jouhaux must see the fundamental difference. To begin with, what he calls our "compromises" do not mean a renunciation of the principles of the socialist system existing in the Soviet Union. Our compromise consists in a desire to promote exchanges of commodities between two entirely different economic systems. Such exchanges would in no way prejudice the interests of the working classes or compromise the principles upon which the socialist system in the Soviet Union is based.

M. Jouhaux's compromises are quite different in character. They simply amount to economic and

political concessions to the capitalist class in the name of the workers.

Again, does M. Jouhaux not realise that, when the political and economic power of the whole State is in the hands of the workers, the relations between that State and capitalist States are not the same as relations between the different classes in any single State ? Collisions between States mean war. Hence those who are opposed to war must seek for some scheme of peaceful co-existence. We deem it our duty to endeavour to find some such solution in our relations with States whose economic system is different from our own.

The position of the workers within a capitalist State is obviously quite different.

To return to questions which directly concern the Conference. I beg to inform you that the Soviet delegation will abstain when a vote is taken on the resolutions of the Conference as a whole. This we shall do because, although opposed to many of the principles, statements and concrete decisions formulated in this report, we find in it and in the resolutions as a whole various concrete decisions which we think right. There is, for instance, the formula — to us a vital formula — concerning economic co-operation between all countries irrespective of differences in their economic systems.

We do not wish to raise any formal obstacle which would prevent the realisation of those of the decisions which we approve. Therefore we shall abstain from voting on the report as a whole.

As regards the separate parts of the report, we expressed our opinion when voting on the individual motions.

I should mention that we have not been able to approve the proposals entrusting the execution of certain measures to different organs of the League of Nations. We are not Members of the League, and we have no intention of applying for admission. We cannot regard the League as an instrument of peace, for in our opinion it constitutes, in its present form, an instrument which serves the interests of the ruling Powers of the world and is often employed as a cloak to cover acts of violence committed at the expense of weaker States.

We propose, therefore, in conjunction with these States, to seek other means whereby the measures we take to carry out the resolutions that we approve may be co-ordinated with the measures taken by other States. We shall do our utmost to carry out these resolutions by rapid and energetic means, and we earnestly hope that the other States and nations will adopt, without delay and to the fullest possible extent, such parts of the Conference's work as may lead to positive results.

The President :

Translation : M. Jouhaux (France) will address the Conference.

M. Jouhaux (France) :

Translation : Mr. President, ladies and gentlemen — The Soviet delegation has paid me the most flattering attention, which is more than my due. But I do not wish to engage in a fresh controversy on theory, which would be quite out of place here — even more out of place at this stage of our proceedings than at the beginning of the Conference.

I simply wish to point out two slight contradictions in the Soviet delegate's speech, and this I think will serve to elucidate the courteous debate that has taken place here and the other conflict of ideas that is going on outside the Conference.

The first point is this. When we plead extenuating circumstances for ourselves we should be magnanimous enough to allow others to do the

same. The Soviet State has to face necessities which I do not deny and have never denied ; but in every other country the militant workers are faced with other necessities that are no less imperious. If it is necessary for the Soviet delegation and the Soviet Government to compromise with the capitalist States which still exist in the world, it is also necessary for the workers' organisations in every country to take this position into account and compromise with it.

There is a second point, an even more obvious point, if I may say so without discourtesy but at the same time quite plainly. It is inconsistent to condemn *ex cathedra* systems other than one's own and then to suggest co-operation with those very systems that have been condemned — indeed, to suggest not merely co-operation and discussion but concessions inconsistent with the very principles that have been invoked, the very principles originally adduced. That is all I propose to say on the matter.

We have reached the conclusion of our work. Let me say at once that this Conference has assumed an importance which will make a profound impression on the world.

We have heard here from this platform solemn utterances from representatives of every nation, showing the essential reasons for the disequilibrium, the atrophy from which the whole world and all the peoples of the world are suffering. We have been told that the remedy lies in peaceful co-operation between the nations. We have heard economic nationalism condemned in categorical terms. We have received unexpected support.

That in itself would more than justify the holding of this Conference. Why, then, after noting this great achievement, do I still feel impelled to express a certain feeling of bitterness and regret ?

Important as I consider the rule of unanimity to be, and important as it undoubtedly is from the point of view of practical international co-operation, it does not necessarily mean, in my view — to quote an old saying — that " everything is for the best in the best of all possible worlds". Nor does it mean that the masses should depend simply and solely upon the decisions passed by this Conference or the application of those decisions by the different Governments. I am one of those who think that a Conference such as ours, if it is to lead to practical and fruitful results, should be supported by public opinion. The public must emerge from its passivity. People must not merely wring their hands in despair. They must act.

At this Conference we have examined all these problems. We have — very tentatively — indicated possible solutions. We have been bold enough in the matter of criticism, but over-cautious when it came to construction.

Nevertheless, we have taken the first step. The League of Nations stands out more clearly in the mind of the masses, without which it cannot continue to exist or develop. The ideas tentatively set forth here, the timid and imperfect solutions recommended by this Conference, must be put into effect and given a chance to develop. And this is the point on which I feel most strongly. I can understand this hesitation and indecision when it is a question of determining the causes of problems so complex as those of world economy, and suggesting remedies ; but I cannot acquiesce in this weakness and vacillation when it comes to the application of remedies. I should like to have seen this initial timidity of expression redeemed by boldness in the matter of realisation.

That has not been possible, and it is to be regretted, deeply to be regretted.

The indications given in the resolutions before us are very vague. At the same time they represent

the first stage in the work which it is for each one of us to continue. First and foremost we must proclaim that the efforts of the Conference will have been in vain unless consistent, continuous and immediate action is taken to give effect to the decisions passed.

I have the highest respect for the scientific and economic bodies represented here, but I venture to say that equations will never cure the ills of the world. They may reveal the disease, but they will not provide a remedy. The remedy, the real remedy, is to be found in national effort. Hence the League of Nations, having undertaken to ascertain the causes of these ills and to point out a general remedy, must pursue an energetic policy in the matter of realisation. That is my earnest hope, and that is my reply to sceptics and to those who are content to adopt a merely negative attitude.

ECONOMIC ORGANISATION OF THE LEAGUE OF NATIONS: ADOPTION OF A DRAFT RESOLUTION PROPOSED BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : The Co-ordination Committee proposes the adoption of the following resolution :

The Conference wishes, in the first instance, to express its high appreciation of the work of the Economic Committee and the Secretariat of the League.

The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, cannot do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.

As no one has asked to speak on this draft resolution, I will put it to the vote.

The resolution was unanimously adopted.

PACIFIC COMMERCIAL CO-OPERATION OF ALL NATIONS: APPLICATION OF RESOLUTIONS TO THE U.S.S.R.: ADOPTION OF A DRAFT RESOLUTION PROPOSED BY THE SOVIET DELEGATION AND SUBMITTED TO THE CONFERENCE BY THE CO-ORDINATION COMMITTEE.

The President :

Translation : Ladies and gentlemen — The Co-ordination Committee proposes the adoption of the following resolution :

The Conference :

Recognising the importance of a renewal of world trade ;

Refraining absolutely from infringing upon political questions :

Regards the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations.

It is, of course, understood that, the members of the U.S.S.R. having declared that they are in favour of the resolutions in the list reproduced below, the remaining resolutions of the Conference will not be regarded as having effect as regards the U.S.S.R.

Annex

LIST TRANSMITTED TO THE SECRETARIAT BY THE MEMBERS OF THE U.S.S.R. DELEGATION

The delegation of the U.S.S.R. votes for the following resolutions :

Commerce.

II. Customs Tariffs.

No. 1. — *Simplification of Customs tariffs.*

No. 2. — *Unification of tariff nomenclature, with the reserve that the U.S.S.R. cannot associate itself with the invitation to the League of Nations.*

No. 4. — *Application of tariffs.*

No. 5. — *Customs formalities.*

No. 6. — *Trade statistics.*

III. Commercial Policy and Treaties.

No. 2. — *Fiscal charges imposed on imported goods.*

No. 4. — *Commercial treaties, with the reserve concerning the invitation to the League of Nations.*

IV. Indirect Means of Protecting National Trade and National Navigation.

No. 1. — *Subsidies, direct or indirect.*

No. 2. — *Dumping and anti-dumping legislation.*

Industry.

The U.S.S.R. delegation, while in agreement with the principles underlying the proposals put forward in the resolutions of the Industry Committee concerning "Information", abstains from voting for the draft resolution concerning "Information", because the U.S.S.R. proposal to entrust this work to the International Institute of Statistics of The Hague was rejected.

Agriculture.

The U.S.S.R. delegation votes for the special resolutions :

3. — *Campaign against the diseases affecting plants and animals.*

5. — *Forestry.*

6. — *Documentation on agricultural questions, statistics, enquiry.*

Note. — The members of the U.S.S.R. declared that they are in favour also of the resolutions enumerated below. They accompanied their adhesion by a declaration contained in the Verbatim Record of the Conference.

The resolutions in question are the following :

(a) *Economic tendencies affecting the peace of the world ;*

(b) *Education and publicity ;*

(c) *Armament expenditure ;*

(d) *Pacific commercial co-operation of all nations. Application of Resolutions to the U.S.S.R.*

I will now put the above resolution to the vote.
The resolution was unanimously adopted.

EXAMINATION AND ADOPTION OF THE DRAFT REPORT OF THE CONFERENCE.

The President :

Translation : You have before you the draft report of the Conference (document S.C.E.32).

Does anyone wish to speak on the preamble ?
As no one wishes to speak, I will put the preamble to the vote.

The preamble was unanimously adopted.

The President :

Translation : M. Sokolnikoff (U.S.S.R.) will address the Conference.

M. Sokolnikoff (U.S.S.R.) :

Translation : Mr. President, ladies and gentlemen — The Soviet delegation has no amendments to propose as regards the general statement on the world economic situation in the draft report of the Conference. It notes, however, that this report omits all mention, and fails to analyse the causes, of certain economic phenomena and certain important economic inconsistencies.

For example, there is no mention of the enormous economic difficulties arising out of war debts, the keen competition for raw materials, the conflicting interests of colonies and home countries, and various other matters.

In view of the inadequacy of this analysis, the Soviet delegation will abstain from voting.

The President :

Translation : Mme. Frenndlich (Austria) will address the Conference.

Mme. Freundlich (Austria) :

Translation : Mr. President, ladies and gentlemen — Before this first session of the world Economic Conference closes, I should like to emphasise the importance — relative but no less real — of the results obtained.

Supporters of co-operation in every land have always been guided, in their practical and patient work, by the noble ideal of peace. The creation of the League of Nations was to them a most auspicious event, because they believed in the influence that the nations would gradually bring to bear on this institution created by their Governments.

The world Economic Conference marks an important stage in the democratic evolution which is our end and aim. By ensuring the direct representation of the workers' organisations and institutions, the Conference has undoubtedly brought the League of Nations into closer touch with the active and fundamental elements of society.

As regards the resolutions resulting from our discussions, there is no time now to refer to them or to make any detailed comment on them.

In my first speech, at one of our opening meetings, I said that economic organisation was essential, and that there were two ways by which the world economic system could be readjusted: the despotic method and the democratic method. We are glad to see that the democratic method, the co-operative method, has been recommended by the Conference. Other methods, such as that of industrial agreements, have only been recommended by the Conference subject to certain reservations. Supervision over international agreements was not held to be feasible, but publicity as regards their constitution and activities was recommended. That is a first step, and supervision must ultimately follow.

We supported the resolution concerning trading because we regarded it as the first serious effort to institute in international trade, which it is essential to encourage, a general system based on good faith, equality and mutual understanding. Experience has shown the advocates of co-operation that two stages are necessary. Once we are sure that there is a genuine intention to act, we are prepared to wait until the problem has been considered in all its aspects.

Lastly, we regard the adoption of the resolution concerning agriculture as one of the most important achievements of the Conference. The special resolution concerning agricultural co-operation and the relations between agricultural co-operative societies and consumers' co-operative societies is a virtual affirmation of the unity which exists between the methods and principles of all the various co-operative elements, and at the same time furnishes the representatives of the co-operative organisations who supported that resolution with an undertaking that a constant endeavour will be made to attain the practical realisation of this ideal.

We have heard a great deal about the peaceful co-existence of two conflicting systems. Far be it from me to intervene in this dispute, this little skirmish. As a supporter of co-operation, however, I am proud to find that the representatives of both systems fully realise the value of co-operative institutions.

Co-operation already plays an important part in the economic system, and might indeed claim to be a system in itself. Its progress will depend first and foremost on the efforts of the hundreds of thousands of workers and housewives that it numbers among its ranks throughout the world; but the reports on the work of this Conference will undoubtedly give the movement further encouragement.

May I — as a woman — say one word in conclusion? You did me the great honour of appointing me Vice-Chairman, and I believe that in so doing you wished to signify your acceptance of the great principle of the equality of the sexes. I hope, therefore, that it may become an established tradition that women shall take part in any proceedings that concern the whole of mankind.

Representatives of the most diverse economic interests, representatives of nations from every continent, have met together here; yet the Conference has achieved marked success. Co-operation has been not merely a theory but a fact, and this augurs well for the future of the nations and of the world.

The President :

Translation : Ladies and gentlemen — The final report, which will be submitted to the Council of the League in your name, will include the various documents and resolutions approved or adopted on Saturday and to-day. I put this report as a whole to the vote.

The report as a whole was unanimously adopted.

The President :

Translation : We know the reasons that have led the delegates of the Union of Socialist Soviet Republics to abstain from voting.

I have also received a notice of abstention from the Turkish delegation. It reads as follows :

“ Geneva May 22nd, 1927.

[*Translation.*]

“ The Turkish Government welcomed the invitation sent to it to take part in this International Conference, convened to study the great world economic problems and to seek in common a way of solving them.

“ We have been able in this way to profit by the copious documentation so carefully compiled by the Preparatory Committee, and we have followed with deep interest the discussions which have taken place in the course of the objective study of the problems with which the Conference has had to deal.

“ In this connection, I desire to thank you for the unfailing courtesy you have displayed in presiding over our proceedings.

"Most of the questions dealt with by the three Committees affect, to a greater or lesser degree, the situation in our country.

"Many of the measures recommended by the Conference are not only in close accord with the ideas and principles on which the economic policy of the new Turkey is based, but are already being applied in that country. The fundamental principles of that policy are equality and reciprocity of treatment in matters of commerce.

"On the other hand, the reports submitted to the plenary Conference contain resolutions which are not in accordance either with the interests or with the needs of Turkey and which we should therefore be obliged to reject.

"Moreover, since one of the principal results of the Conference will be that the application of the proposed solutions will be entrusted to organs of the League of Nations, our delegation felt that, in view of our special position at the Conference, it could hardly accept these proposals.

"Rather than express in regard to these points formal reservations which, as was clear from the discussions, would not have altered the views of the majority of States represented here, the Turkish delegation prefers to abstain from taking part in the final vote.

"I therefore ask you to take note of the special reasons which have dictated the attitude that our delegation feels bound in the circumstances to adopt.

(Signed) HASSAN,

"Head of the Turkish Delegation."

M. Loucheur (France) will address the Conference.

M. Loucheur (France) :

Translation : Ladies and gentlemen — We have now come to the close of a long and interesting discussion, and before the President gives you his summary of our proceedings you will perhaps allow me to express the keen satisfaction with which I have followed the important work on which you have been engaged, and to add that the conclusion to be drawn from it is this : You have recognised that the League of Nations must henceforth deal with economic problems just as it now deals with political problems.

I should also like to say that we must, all of us, when we return to our own countries, make ourselves the advocates of the measures we have so enthusiastically recommended here.

When I see so many distinguished men assembled in this hall in order to add to the common fund the treasures of their knowledge and experience, I cannot but feel confident that the League of Nations, which invited our collaboration, will complete the task we have begun.

We have discussed at length the form of the organisations which should come after us. I say frankly that what seems to me most important is your unanimous agreement that our conclusions must not be regarded simply as vague resolutions passed by some academic assembly, but as instruments which all of us are anxious to see followed up by further action. That is the most important fact which emerges from our proceedings. I am well aware that some of us have expressed sceptical views ; but I hope you will not blame me if, having been invited here by the League, I refuse to speak ill of it. On the contrary, I shall speak well of it, because I have for long been watching it at work, and have seen how it has always striven for peace.

Now that these discussions have come to a close, I would remind you that the principal motive that

has brought us together here is the strong conviction we all share — as I said in my first speech — that economic conflicts are often the causes of war, and that in working to prevent them we are all working for peace.

The question of national security has constantly arisen in our discussions. Security, arbitration, disarmament — those are the three terms of the formula once postulated from this platform.

For my own part I sincerely hope that the League will continue in its present course, and that in its efforts to provide security for the world it will, like all of us here, leave no stone unturned to secure that end.

More than one speaker has mentioned that it was my country which in 1925 took the initiative in asking for this Conference to be held, and I therefore desire to thank you all from the bottom of my heart for having come here from every part of the world to take your share, modestly but boldly, in a task which, though it has been a very difficult one, will certainly not have been in vain. It would have been in vain, however, had the ground not been carefully prepared by the Preparatory Committee and the League Secretariat ; and I am sure therefore that I am speaking on behalf of you all when I offer my sincerest thanks to the Secretariat for its admirable work.

But you will all agree that there is one to whom our special thanks are due. I have known our President, M. Theunis, for a long time. I worked with him in 1918 and 1919, and I knew then that he had a great career before him as a statesman in his own country. It was to him that Belgium turned in the difficult hour of reconstruction. You all know the great work he has accomplished. He would never have emerged from his retirement and come here to take up a fresh task had it not been to serve the general cause of humanity. He answered the Council's call, and he has presided over our discussions with a high authority and a courtesy which we all gladly acknowledge, and also with a firmness which was very necessary in discussions of so complex and comprehensive a nature. I am sure, therefore, that I am speaking for you all in offering M. Theunis the hearty thanks of the Conference.

CLOSING SPEECH BY THE PRESIDENT

The closing speech delivered by the President is printed on page 11 of this volume. On the conclusion of his formal speech he added the following remarks :

Ladies and gentlemen — Before the Conference closes, I have to offer you my warmest thanks for your kindness in affording me so much ready help in the accomplishment of my task as President. I should like to tell you how much I have appreciated it, and how gratefully I shall always look back on the co-operation you have afforded me. Since M. Loucheur has been kind enough to express on your behalf your thanks, which I am sure I have done little to deserve, let me avail myself of this opportunity, in order to express our gratitude to him and to remind you that it was he who took the first step towards the holding of this Conference.

Our gratitude is due first and foremost to the League of Nations itself, which convened the Conference, and to the Secretariat, which has once more carried out a great international work that is bound, I am confident, to bear fruit.

I venture on your behalf to offer my warmest thanks and congratulations more particularly to the Economic Section of the Secretariat of the League, which, with its unrivalled experience and

expert knowledge, has spared no effort, under the very able guidance of Sir Arthur Salter, to ensure the success of the Conference, both in the course of the preparatory work and during the meetings themselves.

A tribute should also be paid to the staff of the Secretariat, which has worked tirelessly and devotedly day and night, in order that there might be no delay in distributing the documents to the members.

The International Labour Office, represented at our Conference by its distinguished Director, M. Albert Thomas, also merits our grateful thanks. Both before and during our discussions it has continually afforded us its invaluable help.

An important part in the Conference has been played by some of the leading international organisations. Among those with which the League would do well to co-operate on a more extensive scale I would mention in particular the International Institute of Agriculture and the International Chamber of Commerce, to which I have already referred.

Ladies and gentlemen, I declare the International Economic Conference closed.

SUMMARY OF PROCEEDINGS OF THE CO-ORDINATION COMMITTEE OF THE CONFERENCE

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SUMMARY OF PROCEEDINGS OF THE CO-ORDINATION COMMITTEE OF THE CONFERENCE

1. Introduction.

The principal task of the Co-ordination Committee, presided over by M. THEUNIS, and consisting of the Vice-Presidents of the Conference, and the Chairmen, Vice-Chairmen, and Rapporteurs of the Commerce, Industry, and Agriculture Committees (Annex I), was to co-ordinate the work of the three Committees. The Committee had also to undertake the preliminary discussion of the introduction to the Report of the Conference, and of certain general resolutions which did not fall within the terms of reference of any of the three Committees. The list of members of these Committee is as follows :

President of the Conference, appointed by the Council of the League of Nations :

M. G. THEUNIS, Minister of State (Belgium) ;

Vice-Presidents of the Conference :

M. LOUCHEUR (France),

First Vice-President of the Conference ;

M. C. F. VON SIEMENS (Germany) ;

Mme. Emmi FREUNDLICH (Austria) ;

M. DE RIO-BRANCO (Brazil) ;

Sir Arthur BALFOUR (British Empire) ;

M. Chr. SONNE (Denmark) ;

Mr. Henry M. ROBINSON (U.S.A.) ;

Count BONIN LONGARE (Italy) ;

M. T. SHIDACHI (Japan) ;

M. J. OUDEGEEST (Netherlands) ;

M. H. GLIWIC (Poland) ;

M. V. OBOLENSKI-OSSINSKI (U.S.S.R.).

Commerce Committee :

Chairman : M. H. COLIJN (Netherlands).

Vice-Chairmen : Mr. R. W. BOYDEN (International Chamber of Commerce) ;

M. O. RYDBECK (Sweden).

Rapporteurs : Mr. NORMAN H. DAVIS (U.S.A.) ;
M. G. L. GÉRARD (Belgium).

Industry Committee :

Chairman : Dr. F. HODAČ (Czechoslovakia).

Vice-Chairmen : M. E. NECULCEA (Roumania) ;

M. D. URZUA (Chile) ;

Mr. A. PUGH (British Empire).

Rapporteurs : M. A. PIRELLI (Italy) ;
M. DE PEYERIMHOFF (France).

Agriculture Committee :

Chairman : M. G. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

Vice-Chairmen : Dr. L. K. HYDER (India) ;
Count L. SOM'SICH (Hungary).

Rapporteurs : Dr. A. HERMÈS (Germany) ;
M. F. PORCHET (Switzerland).

The Committee disposed of its agenda in five plenary meetings, held on May 20th, 21st, and 23rd,

1927, during which the following questions were studied :

1. Co-ordination of the resolutions of the three Committees of the Conference.
2. Introduction to the Report of the Conference.
3. Economic tendencies capable of affecting the peace of the world.
Draft resolution submitted by Mr. Pugh (British Empire).
4. Education and publicity.
Draft resolution submitted by Professor Cassel (Sweden).
5. Armaments expenditure.
Draft resolution submitted by M. Örne (Sweden).
6. Meeting of Ministers of Commerce.
Draft resolution submitted by the Rt. Hon. W. Runciman (International Chamber of Commerce).
7. Free movement of capital.
Proposal by Professor Cassel (Sweden).
8. Standard of living of workers in various countries.
Draft resolution submitted by Mme. Freundlich and MM. Diamand, Eggert, Tayerle, Johansson, Jouhaux, Mertens, Nielsen, Oudegeest and Pugh.
9. Pacific commercial co-operation of all nations ; application of resolutions to the U.S.S.R.
10. Economic organisation of the League of Nations.

* * *

The Secretariat gives below a summary of the discussions of the Co-ordination Committee on the above questions.

2. Co-ordination of the Resolutions of the Three Committees of the Conference.

The Co-ordination Committee decided to transmit the reports and the draft resolutions of the Commerce, Industry, and Agriculture Committees to the Conference after making a few slight changes of form.

3. Introduction to the Report of the Conference.

The Committee considered the draft introduction to the Report of the Conference, drafted at the request of M. Theunis, President of the Conference, Mr. Layton (British Empire) and M. Siegfried (France).

Count BONIN LONGARE (Italy) proposed the addition of the following sentence after the words "density of population" in paragraph 15 :

"Those countries in which there is a rapidly increasing excess of population in relation to their territory and natural resources have consequently intensified their industrial activity and attach particular importance to the adoption by other countries of a liberal policy in relation to raw materials."

Certain members felt that this addition was superfluous, as the question was already dealt with in the Commerce Committee's report; but the Committee accepted the proposed addition, taking the same view as the Italian member — that the Commerce Committee's report covered the question only so far as it related to Customs tariffs, whereas the sentence in question placed on record a fact to which attention should emphatically be drawn.

Having made several of the proposed amendments, the Committee approved the draft and decided to transmit it to the Conference.

4. *Economic Tendencies capable of affecting the Peace of the World.*

Draft resolution proposed by Mr. Pugh.

As a corollary to the memorandum on the same subject adopted by the General Council of the British Trades Union Congress, the National Executive Committee of the Labour Party, and the Executive Committee of the Parliamentary Labour Party, and communicated to the Conference by Mr. Pugh (printed in Annex VI. certain documents submitted by members during the course of the Conference No. 1), the latter submitted a draft resolution which was adopted by the Committee with one slight change of form and was forwarded to the Conference. (See Report of the Conference: 5. General Resolutions.)

5. *Education and Publicity.*

The Committee decided to transmit the draft resolution submitted by Professor G. Cassel (Sweden) unchanged to the Conference. (See Report of the Conference: 5. General Resolutions.)

6. *Armaments Expenditure.*

M. ÖRNE (Sweden) asked the Chairman's leave to submit the following resolution to the Conference:

"Whereas the world as a whole still devotes to armaments expenditure and to preparation for war an annual sum of 19 milliards of gold francs, or 3,800 million dollars;

"Whereas the expenditure of this sum, which is additional to the expenditure on war pensions and other charges resulting from past wars, reduces the savings available for the development of industry, commerce and agriculture, and is a crushing burden upon the finances of the different States, entailing heavy taxation which reacts upon their whole economic life and lowers their standard of living:

"The Conference expresses the earnest hope that the negotiations now proceeding under the auspices of the League of Nations for the limitation of armaments will result in a drastic reduction in armaments expenditure."

This resolution was favourably received by the majority of the members of the Co-ordination Committee. Certain members, however, thought that a few changes ought to be made in the text, in order to avoid in any way trenching upon political questions.

M. OBOLENSKI-OSSINSKI (U.S.S.R.) supported the draft resolution, but asked for the omission of the words "under the auspices of the League".

A Drafting Sub-Committee was formed, consisting of M. LOUCHEUR, M. ÖRNE, Mr. Norman DAVIS, Sir Arthur BALFOUR, and Count BONIN LONGARE, and agreed on the following text:

"Whereas the world as a whole still devotes considerable sums to armaments and to preparations for war, which reduce the savings available for the development of industry, commerce and agriculture, and are a heavy burden upon the finances of the different States, entailing heavy taxation which reacts upon their whole economic life and lowers their standard of living,

"The Conference expresses the earnest hope that all efforts, to effect limitation and reduction of armaments, and particularly those under the auspices of the League of Nations, will have successful results and thus alleviate the burdens described above."

The Co-ordination Committee adopted this text, with the addition of the words "by agreements between States" after the words "to effect" in the final paragraph, and decided to transmit it to the Conference. (See Report of the Conference: 5. General Resolutions.)

7. *Meeting of Ministers of Commerce.*

The Committee had before it the following draft resolution submitted by the Rt. Hon. Walter Runciman (International Chamber of Commerce):

"The Conference,

"Recognising that full effect can be given to its recommendations only if they are followed by administrative action in the several countries,

"Requests that the necessary steps be taken by the League of Nations to call together at the earliest possible moment the Commerce Ministers of the Member States to discuss methods of co-operating to give practical effect to those principles and recommendations."

While it was in favour of the ideas suggested in the draft, the Committee did not see its way to forward the proposal to the Conference, in view of the practical obstacles to its realisation.

8. *Proposal by Professor Cassel (Sweden) concerning the Free Movement of Capital.*

At the request of M. RYDBECK (Sweden), the Committee was called upon to deal with this proposal, which had already been submitted to the Commerce Committee but had not been accepted.

A. — *Free Movement of Capital.*

"The International Economic Conference,

"Considering that, after the great dislocation of the world's economic conditions which has been a consequence of the war, a readjustment to the new conditions can only be attained within reasonable time if the most complete freedom is given to all factors of production and among them particularly to capital;

"Considering that the relative freedom of movement which has been allowed to capital has been one of the most powerful agents in the work of reconstruction which has already been completed;

"Considering that it is of primary interest to commerce as well as to industry and agriculture that it shall be possible to have free capital transferred with the least friction and delay to such occupations for which it is most urgently needed, and without such restrictions as only tend to render the conditions for the borrower more burdensome;

"Considering, finally, the great advantage that lending countries generally will derive from the development of the productive powers and of the buying capacity of the borrowing countries;

"Recommends that the greatest possible freedom be given to export as well as to import of capital."

"B. — Stabilisation of Currencies.

"The International Economic Conference,

"Considering that, according to all experience, sound economic life can only develop on the basis of stable currencies and that monetary instability has been one of the greatest obstacles to the world's recovery after the war:

"Considering, further, the great advantage which has been derived from the stabilisation of currencies which has already taken place:

"Has come to the result that a complete stabilisation of all the currencies of the world is a matter of fundamental importance with regard both to commerce and to industrial and agricultural production, and that nearly all the recommendations of the Conference would be furthered by such a stabilisation."

The Committee discussed the proposal in the presence of Professor Cassel, who had been invited to attend.

Professor CASSEL, referring to the Commerce Committee's decision, said he feared that the public might gain the impression that the Economic Conference was against the free movement of capital. He thought that a definite statement to the contrary was absolutely essential. That was his reason for drafting his resolution, which was a very moderate one, asking for no more than "the greatest possible freedom" for the movement of capital. Industry, commerce and agriculture were paralysed if the movement of capital was restricted. It was not an abstract financial question, but a concrete problem of vital importance in the economic development of the world.

Count BONIN LONGARE, who was supported by M. LOUCHEUR and M. GLIWIC, while admitting the force of Professor Cassel's remarks, considered that the question was outside the Conference's terms of reference, which excluded financial questions. Nevertheless, Professor Cassel's ideas had been to some extent put into effect in the Commerce Committee's report.

The majority of the members were against the inclusion of this draft resolution, and it was decided that the President, in his closing speech, should mention that this highly important question had been raised, but that for reasons of expediency the Committee had not thought fit to deal with it.

Professor CASSEL was not satisfied, but bowed to this decision. He considered that the paragraph in the Commerce Committee's report to which reference had been made covered only one special point — goods — and did not deal with the problem he had raised.

9. Standard of Living of Workers in Various Countries.

Mme. FREUNDLICH and MM. DIAMAND, EGGERT, TAYERLE, JOHANSSON, JOUHAUX, MERTENS, NIELSEN, OUDEGEEST, and PUGH, submitted the following draft resolution:

"The International Economic Conference thanks the International Labour Office for the valuable information contained in its Report on the Standard of Living of the Workers in Various Countries (document C.E.I.26), and recommends that the Office be invited to continue its investigations in collaboration with the competent statistical authorities or different nations, with a view to arriving at satisfactory conclusions concerning the level of wages in

various industries and countries, and the true standard of living of the workers concerned. Further enquiries into the family budgets of the working classes would afford a basis for the calculation of real wages, and would provide material for more rational schemes of domestic consumption.

"The Conference appeals to all Governments to place such documentation at the disposal of the International Labour Office as will enable it to give to its statistical enquiries a broader character and aid it in the performance of a task of general interest."

After a discussion in the Co-ordination Committee the authors of the draft withdrew it, and accepted the President's proposal to mention in his closing speech the important part played by the International Labour Office and other international organisations in the preparatory work for the Conference.

10. Pacific Commercial Co-operation of all Nations: Application of Resolutions to the U.S.S.R.

M. OBOLENSKI-OSSINSKI (U.S.S.R.) submitted the following draft declaration:

"The Conference has not considered it desirable in its resolutions to deal in any way with the fundamental principles on which the U.S.S.R. policy is based in distinction from that prevailing elsewhere. That question being excluded, those of the resolutions which are inconsistent with those principles must be regarded as drafted with a view to application to the systems which exist in countries other than the U.S.S.R.

"The Russian delegates voted for resolutions (a), (b), (c), (d), and in the above circumstances it is only those resolutions which are to be regarded as having effect as regards the U.S.S.R.

"With regard to the great importance of full participation of the U.S.S.R. in the world trade, the Conference recommends to all States to develop their relations with the Soviet Union on the basis of a pacific co-existence of two different economic systems."

M. OBOLENSKI-OSSINSKI explained that the text submitted by the Soviet delegation had been adopted after unofficial negotiations with various members of the Committee. He thought it very important that the declaration should be made by the Conference and not by the Soviet delegation. The final sentence of the declaration was, he thought, essential as a basis for any co-operation on the part of the U.S.S.R. in world economic development.

M. OUDEGEEST, M. JOUHAUX, and Mme. FREUNDLICH were in favour of the first two paragraphs of the resolution, but would prefer that the third paragraph should be omitted in order to avoid any discussion or expression of opinion on a political subject at a plenary meeting.

M. LOUCHEUR thought he could accept the first two sentences, but not the last. One might be prepared to co-operate with somebody, but that did not necessarily mean that one could recommend others to do likewise. The Conference ought, in his opinion, simply to take formal note of the declaration to be submitted by the Russian delegates. Sir Arthur BALFOUR agreed with him on this point.

The CHAIRMAN explained M. Obolenski-Ossinski's allusion to "unofficial negotiations". These negotiations had concerned only the first two sentences of the declaration. In regard to the third sentence, it was possible to move the previous question, and to decide that the sentence should not be considered because it concerned

a political question which was not on the agenda. The Chairman therefore asked M. Obolenski-Ossinski to withdraw the final sentence

M. OBOLENSKI-OSSINSKI asked for time to consider, and the discussion was adjourned to the next day.

On the resumption of the discussion, Mr. BOYDEN begged the Committee to refrain from trenching in any way on political questions, but at the same time to endeavour to find a formula that would satisfy the Soviet delegation. He proposed a text to the effect that the Conference had refrained from considering the differences between the various economic systems of all the nations represented.

Mr. ROBINSON shared this view. He did not think that special attention ought to be drawn in the declaration to the economic system of the U.S.S.R. He proposed a slight amendment to Mr. Boyden's text in order to make this clear.

M. OBOLENSKI-OSSINSKI understood that the text proposed by Mr. Boyden was intended to take the place of the final sentence of the Soviet delegation's text. The point was that it was that very sentence that had been composed by the Soviet delegation; the first two sentences had been proposed by other delegates during the unofficial negotiations previously alluded to. The U.S.S.R. delegation had accepted the wording of these two sentences in a spirit of conciliation, but it insisted that the ideas expressed in its own sentence, the third, should be expressed clearly.

The political and economic system operating in Russia was a living and active reality that had to be reckoned with, and since the Conference was endeavouring to trace the broad outlines of an economic policy, it could not attempt to exclude certain political aspects of economic questions. Mr. Boyden's formula was on the whole acceptable to the Russian delegation, but it represented only part of the declaration that the latter was asking the Conference to make. The Soviet delegation did not insist on one formula rather than another, provided that three essential ideas were expressed :

(a) The Conference should declare itself in favour of a development of trade between all other countries and the U.S.S.R. ;

(b) It should express the opinion that the co-existence and pacific co-operation of the two economic systems — the capitalistic and the socialistic — were essential ;

(c) It must be the Conference and not the Russian delegation that made these recommendations.

In view of the importance of these three points, the Soviet delegation would be obliged to cease its co-operation in the work of the Conference if they were not adopted by the Committee.

M. LOUCHEUR advised the Soviet delegation not to present an ultimatum. He had been one of those in France who had supported the resumption of trade relations with Russia, but he did not think that the Conference could recommend all countries to do likewise. He then analysed the present evolution of the communistic system towards the capitalistic system, which had been so much decried. For his own part, he was glad of this evolution, which he thought explained the great attention the Committee was giving to the question now before it. He advised the Soviet delegation to be content with this, and not to try to force the Committee's hand, which might be a dangerous thing to do.

Sir Arthur BALFOUR thought that, in view of the Soviet delegation's ultimatum, the best thing would

be to drop the question on the ground that it was not on the agenda. If, however, it was desired to seek an agreement, he would propose a re-drafted text of the Boyden-Robinson draft, which represented the limit of the concessions that he thought the Committee could make.

M. JOUHAUX thought there was no need to make a comparison between the economic system of the U.S.S.R. and that of the capitalistic countries, but that the Committee should make every effort to satisfy the Soviet delegation. The crux of the whole discussion was whether that delegation's offer of co-operation was to be accepted or not.

Mr. ROBINSON gathered from what had so far been said that the Soviet delegation wanted two things :

(a) It wanted the Committee to state openly whether co-operation with the U.S.S.R. was desired or not ; and

(b) It wanted explicit recognition of the difference between the two economic systems.

He therefore proposed a formula referring to "the co-operation of all the countries present, irrespective of differences in their economic systems".

On the CHAIRMAN'S proposal, a Drafting Committee was appointed, consisting of the following members : Mr. BOYDEN, Mr. ROBINSON, M. OBOLENSKI-OSSINSKI, Sir Arthur BALFOUR, M. LOUCHEUR, M. JOUHAUX, Count BONIN LONGARE, M. VON SIEMENS, M. SHIDACHI, and M. SOKOLNIKOFF (at the request of M. Obolenski).

This Sub-Committee came to an agreement on the following text :

"The Conference :

"Recognising the importance of a renewal of world trade ;

"Refraining absolutely from infringing upon political questions :

"Regards the participation of members of all the countries present, irrespective of differences in their economic systems, as a happy augury for a pacific commercial co-operation of all nations.

"It is, of course, understood that, the members of the U.S.S.R. delegation having voted in favour of resolutions (a), (b), (c) and (d), the remaining resolutions of the Conference will not be regarded as having effect as regards the U.S.S.R."

This text was adopted by the Co-ordination Committee with the substitution, at the request of the U.S.S.R. delegation, of the words "having declared that they are in favour of the resolutions in the annexed list" for "having voted in favour of resolutions (a), (b), (c) and (d)."

11. Economic Organisation of the League of Nations.

The Committee had before it draft resolutions submitted by Sir Arthur Balfour (British Empire), M. Baltrusch (Germany), M. Serrarens (Netherlands), M. Jouhaux (France), and Mr. Pugh (British Empire), all dealing with the question of the proposed Economic Organisation of the League of Nations, the texts of which are annexed to this Summary of the Proceedings of the Committee.

Sir Arthur BALFOUR was not in favour of establishing a large separate bureaucratic organisation. The existing Economic Organisation of the League could conveniently be enlarged and adapted to new requirements. He saw no reason why the "contact" he advocated should not be extended to representatives of agriculture, as had been proposed.

M. SERRAENS was inclined to agree with Sir Arthur Balfour, provided that the Economic Committee of the League was reconstructed so as to reflect the form of the Economic Conference, and had a permanent secretariat adequate for its work.

M. JOUHAUX thought that, if all countries were to be able to take part in the work of the proposed Organisation, it could not be a section or advisory body of the League. The Organisation might be modelled on the Preparatory Committee for the present Conference. It must be remembered that the Organisation would have to be able to deal with questions concerning the International Labour Office. He also thought that it should be established on a permanent basis, and should be able to make the preparations for future economic conferences.

Mr. PUGH agreed with M. Jouhaux in hoping that the present Conference was only the first of a long series.

M. GLIWIC also thought that the future Organisation ought to be separate from the League, so that the United States could take part in its work.

On the CHAIRMAN'S proposal, a Drafting Sub-Committee was formed to co-ordinate the different texts of the draft resolution. The Sub-Committee was composed as follows :

Mme. FREUNDLICH, M. LOUCHEUR, M. PIRELLI, M. NECULCEA, M. JOUHAUX, M. BARBOZA-CARNEIRO, M. VON SIEMENS, Sir Arthur BALFOUR, M. SERRUYS, M. HODAČ, M. GLIWIC, M. SERRAENS.

The CHAIRMAN also invited Sir Eric Drummond and M. Albert Thomas to attend the Sub-Committee's meetings.

The Sub-Committee held two meetings on May 21st, 1927, M. Loucheur in the chair.

At the Co-ordination Committee's meeting on May 23rd, M. LOUCHEUR gave the following report of the Sub-Committee's work :

As the Drafting Committee had not been able to reach unanimity on a text submitted by M. von Siemens, Sir Eric Drummond had proposed an amendment to omit the expression "contact with the international economic organisations," and also the expression "representation of the international economic organisations," on which the members of the Committee seemed to be divided, and to transmit the resolution as thus amended to the Council of the League, leaving the latter to reconcile as far as possible the two trends of opinion which had been revealed during the discussions on the question. M. Gliwic had proposed to add the words "in the spirit and on the basis of the International Economic Conference" at the end of the resolution. Neither of these texts had been accepted unanimously, and it had been decided that the Drafting Committee should submit them both to the Committee, and inform the latter of the results of the voting on each (see Annex page 177). M. Loucheur himself had voted for M. von Siemens' text with M. Gliwic's amendment, and that was the text that he favoured.

Sir Arthur BALFOUR, realising the impossibility of reaching a unanimous agreement on either of these texts, expressed the opinion that the Conference should refrain from making any specific recommendations in either sense, but that the Chairman might mention the two conflicting views in his closing speech, and that the various proposals should be forwarded to the Council without comment.

M. OUDEGEEST said that he would be better pleased if the Committee could overcome its own

difficulties, instead of passing them on to the Council. In his view the best solution would be to say that the Conference, having finished its work and formulated its resolutions, left the execution of those resolutions to the Preparatory Committee, which, with the addition of representatives of certain countries and economic groups not at present represented, seemed to him the most suitable body — at all events with the assistance of the Economic Organisation of the League — to study the form and composition of the executive bodies that were to be set up. He did not think the Co-ordination Committee could very well pass a vague resolution that would give the Council no guidance.

M. LOUCHEUR pointed out that, according to the Balfour proposal, the whole matter was to be referred to the Council, while M. Oudegeest wished the latter to have some definite guidance. He himself thought that M. Oudegeest's proposal might be a satisfactory solution.

M. COLLIN was against any proposal for creating new organisations within the League. The Conference had told the Council what steps it thought should be taken, but it was not called upon to tell the Council how they should be taken. He was therefore in favour of the Boyden proposal, and still more of the Balfour proposal, according to which the Chairman was to formulate these recommendations in his closing speech and the Council was to be left complete freedom to settle the question.

M. BELLONI could not agree with M. Oudegeest, who proposed to entrust the execution of the resolutions of the Conference to the Preparatory Committee, which had ceased to exist. He also saw no point in enlarging the Preparatory Committee by adding new representatives; that would mean a swollen organisation, and would practically amount to perpetuating the present Economic Conference. He was therefore in favour of the Balfour proposal.

M. HODAČ also thought that they should rely on the Council of the League to find the best settlement.

The CHAIRMAN, summarising the discussion, observed that the Committee had before it three proposals :

(1) The Balfour proposal, which was the most thorough-going of all, since it involved referring the whole matter to the Council ;

(2) The von Siemens proposal, which involved tentative recommendations ; and

(3) The Oudegeest proposal, to revive the Preparatory Committee.

The CHAIRMAN asked the Committee to vote on each of these proposals.

The Oudegeest proposal obtained 8 votes against 13.

The von Siemens proposal (with the Gliwic amendment) obtained 10 votes against 13.

The Boyden-Balfour proposal obtained 17 votes against 6.

In the hope of arriving at an agreement, M. DE PEYERIMHOFF proposed a formula of compromise, whereby the decision was to be referred to the Council, but it was to be mentioned that, for the composition of the future economic organisation, the Council might be guided by the composition of the Preparatory Committee.

As the majority of the members supported M. de Peyerimhoff's proposal, a small Drafting Committee was formed, consisting of M. DE

PEYERIMHOFF, Sir Arthur BALFOUR, M. BELLONI, Mr. BOYDEN, and M. OUDEGEEST, who reached an agreement on the following text :

“The Conference wishes in the first instance to express its high appreciation of the work of the Economic Committee and the Secretariat of the League.

“The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

“With regard to the action to be taken on its recommendations, the Conference, while offering no suggestion as to a permanent organisation, cannot do better than draw the Council's attention to the well-balanced composition of the Preparatory Committee, which has yielded excellent results in the preparatory work for the Conference.”

The text was adopted by the Co-ordination Committee, which decided to transmit it to the Conference.

Annex to the Summary of Proceedings of the Co-ordination Committee

PROPOSALS ON THE LEAGUE ECONOMIC ORGANISATION

I. — PROPOSAL SUBMITTED BY SIR ARTHUR BALFOUR.

Future Machinery.

1. That this Conference, while expressing its cordial appreciation of the past work of the Economic and Financial Organisation of the League of Nations, is strongly of the opinion that, in view of the heavy task which will necessarily be imposed on that Organisation as a result of the proceedings and recommendations of the present Conference, it is essential that the central secretariat should be materially strengthened in personnel and resources in order successfully to accomplish this task.

2. In the opinion of the Conference, it is essential that both Economic and Financial Committees and the Secretariat should maintain the closest contact with the representatives of commerce, industry and finance, and of their international organisations, with a view to making the fullest possible use of their practical knowledge and experience.

3. In the opinion of the Conference, it is also of great importance that the Economic and Financial Organisation of the League and the International Labour Office should maintain close co-operation amongst themselves in matters of common interest arising out of the deliberations of the Conference. In this connection, the Conference notes with approval the existing arrangements for such systematic co-operation on questions affecting economic crises and statistics.

4. The Conference cordially approves of the established practice of the Economic and Financial Committees to call into counsel persons and bodies possessing expert knowledge of particular questions essentially of a technical character, which come before them for consideration from time to time. It notes that this collaboration has already yielded the happiest results in connection with such matters as Customs Formalities, Unfair Competition, Bills of Exchange, Commercial Arbitration, Double Taxation and other complex questions, and it looks with confidence to the continuance and extension of a similar practice in the discharge of the important duties that will arise from the deliberations of the present Conference.

5. With a view to the further strengthening of the links between the League's organisations and the world of commerce and industry, the Conference respectfully suggests to the Council that, in making appointments to the Economic Committee, regard should be had, not only to geographical balance, but also to the desirability of ensuring the presence on the Committee of an adequate number of members possessing personal experience in industrial and commercial affairs.

II. — PROPOSAL SUBMITTED BY M. BALTRUSCH (GERMANY) AND M. SERRARENS (NETHERLANDS) AND FORWARDED TO THE CO-ORDINATION COMMITTEE AT THE REQUEST OF THE DRAFTING COMMITTEE ON INDUSTRIAL ENTENTES.

Whereas the general interests of humanity imperatively demand the assurance and maintenance of political, economic and social peace between the nations ;

Whereas the first condition of peace is to satisfy actual economic requirements and this aim can only be attained by the co-operation of peoples and social groups with a view to supplementing each other's economic needs on a basis of justice and solidarity ;

Whereas, in these circumstances, international economic relations should be strongly and effectively promoted and strengthened ;

The International Economic Conference requests the Council of the League of Nations :

(1) To enlarge the existing Economic Committee of the League, taking into consideration all economic groups and all social classes, and to develop the Economic Section of the Secretariat in the same manner ;

(2) To instruct the Economic Committee thus modified to encourage the carrying into effect of the resolutions of the International Economic Conference ; and

(3) To instruct the Economic Committee of the League of Nations to follow systematically all efforts made to promote better international economic relations and to encourage all measures which may help towards the world's economic recovery.

III. — PROPOSAL BY M. JOUHAUX.

An autonomous Economic Organisation shall be constituted within the League of Nations. It shall consist essentially of the following :

1. An Advisory Conference consisting of members appointed by the various Governments for their competence in the various economic spheres: finance, industry, agriculture, commerce, labour, co-operation, consumption. These members, however, shall not have from their Governments any binding instructions.

The Advisory Conference will meet periodically, at least once in three years. It will furnish to the executive body mentioned below guiding rules for its proceedings by means of resolutions and recommendations.

2. An International Economic Council, consisting of 18 members: 12 of them will be appointed by the

Council of the League of Nations and will represent the different nations and the different interests making up the world's economic systems; the other six members will be supplied by the Governing Body of the International Labour Office in equal numbers from its employers' and workers' groups.

3. The International Economic Council will set up all the necessary technical committees to study the various economic questions which it thinks suited at one time or another to be placed on the agenda of the organisation. At the suggestion of its technical committees, it will summon special technical conferences, members of which will be appointed by their Governments and will be able to frame international conventions bearing on questions placed on the agenda by the International Economic Council.

4. The International Economic Council will have, under its direction, a permanent Bureau or Secretariat with a Director at its head chosen by itself. The Council and the Bureau will keep in close touch with the League Secretariat and the International Labour Office, and they will also maintain regular relations with the national economic councils already in existence or which may be created in future.

IV. — PROPOSAL BY MR. PUGH.

If the world economic problems causing international friction are to be solved, continuous consideration and appropriate action are necessary. It is therefore proposed that the Economic Section of the League of Nations should be developed on lines broadly analogous to those of the International Labour Organisation. An Economic Council, representative of States, producers (including employers and workers), and consumers should be established. It should consider the surveys and reports made from time to time by the Economic Secretariat. It should formulate policy in International Economic Conventions or by means of recommendations. It should, of course, work in close co-operation with the International Labour Organisation and other activities of the League.

V. — PROPOSAL BY M. GLIWIC.

1. The Conference is unanimous in the belief that national action, although essential to the realisation of its resolutions and recommendations, is not sufficient in itself. International co-operation in the economic sphere must be continuous and sustained. A further meeting of the Conference at a later date appears indicated.

2. Furthermore, while paying a tribute to the economic work accomplished by the League of Nations, the Conference considers that the variety and importance of the conclusions it has reached demand treatment of adequate scope and systematic action.

3. The Conference ventures to suggest to the Council and Assembly of the League of Nations the creation of an international economic body within the League of Nations. This body might be formed round the nucleus of the Economic Committee of the League of Nations, which might be remodelled for this purpose on the basis

of the experience acquired by the Preparatory Committee for the Economic Conference. While small enough to permit of rapid work, the new body, which would be appointed by the Council of the League of Nations, would comprise persons occupying Government posts, together with a sufficient number of representatives of world economic interests (industry, agriculture, commerce and co-operative societies, labour) to give it indisputable authority in the economic world. It would hold periodic meetings. Its task would be to follow the progress made in the application of the various recommendations of the Conference, to pave the way for the solutions they require, to prepare new proposals, and to deal with all questions that might be laid before it by the Council or by the Assembly of the League of Nations, to which it would submit periodical reports. It would be empowered to recommend to the Council the convening of any technical committee or conferences or the invitation of any experts it might consider desirable to deal with all kinds of special problems. This body would keep in close touch with the national and international organisations concerned. Its secretariat would be provided for by the competent section of the general Secretariat of the League of Nations.

VI. — REPORT OF THE SUB-COMMITTEE ON THE ECONOMIC ORGANISATION OF THE LEAGUE.

The following is the text of two draft resolutions discussed by the Sub-Committee of the Co-ordination Committee yesterday. A statement as to the expression of opinions at the Sub-Committee will be made at the meeting of the Co-ordination Committee to be held on the morning of Monday, May 22nd, at 9 a.m.

Draft Resolution 1, proposed by M. von Siemens.

"The Conference wishes in the first instance to express its high appreciation of the work of the Economic Organisation of the League.

"The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

"The Conference considers that it is necessary that world economic development should be continuously studied in the future and that facilities should be afforded for effective collaboration in the work.

"The Conference accordingly recommends that the League of Nations should take to this end the necessary measures for organisation, taking into account when so doing the appropriate representation of the different branches of economic activity."

Addition at the end, proposed by M. Gliwic:

"On the basis and in the spirit of the International Economic Conference."

Draft Resolution 2, proposed by Mr. Boyden:

"The Conference is of opinion that the success of its work will depend upon the execution of the principles laid down.

"The Conference considers that it is necessary that world economic development should be continuously studied in the future, and that facilities should be afforded for effective collaboration in the work.

"The Conference accordingly recommends that the League of Nations should take the necessary measures to this end, taking into account when so doing the different branches of economic activity."

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Annexe I.

LISTE DES MEMBRES DE LA CONFÉRENCE. LIST OF MEMBERS AND EXPERTS OF THE CONFERENCE.

Afrique du Sud. — South Africa.

Mr. Jacobus Stephanus SMIT. High Commissioner for the Union of South Africa in London.

Dr. Michiel Hendrik DE KOCK. Member of the Board of Trade and Industries.

Albanie. — Albania.

M. Malik LIBOHOVA.
Chargé d'Affaires d'Albanie à Paris.

Allemagne. — Germany.

M. Wilhelm EGGERT.
Membre du Bureau de la Confédération générale des syndicats allemands.

Dr. Andreas HERMES.
Ancien Ministre du Reich, membre de la Commission internationale d'agriculture.

M. Clemens LAMMERS.
Membre du Reichstag, Président de la Commission d'enquête allemande, membre du Comité de Direction du « Reichsverbande de l'Industrie allemande.

M. Carl Friedrich VON SIEMENS.
Ingénieur, Président du Conseil économique du Reich, Président du Conseil d'administration de la Société allemande des Chemins de fer.

Le Docteur Ernst TRENDELENBURG.
Secrétaire d'Etat au Ministère de l'Economie nationale.

Experts:

M. Hermann RÖCHLING.

M. KEISER.
Oekonomierat.

Le comte KEYSERLINGK.

Le Docteur Max SERING.
Conseiller secret, Professeur à l'Université de Berlin.

M. Friedrich BALTRUSCH.

M. Walter DAUCH.
Député au Reichstag.

Le Docteur ASCHMANN.
Consul général.

M. B. BEHRENS.
Député au Reichstag.

Le Docteur BAADE.

M. GENNES.
Ancien Conseiller du Gouvernement.

M. KAUFMANN.
Directeur des Coopératives.

M. KISSLER.
Conseiller secret.

Le Professeur LANG.

M. le Directeur Karl LANGE.

Le Docteur LEMMER.
Député au Reichstag.

M. WOLFF.
Conseiller secret.

Australie. — Australia.

The Hon. Sir David GORDON, M.L.C.
Director, North Broken Hill, Ltd.; Broken Hill South, Ltd.; Broken Hill Associated Smelters Proprietary; Adelaide Electric Supply Co., Ltd.; Member of the Legislative Council of South Australia.

Mr. William Warren KERR, C.M.G., C.B.E.
Managing Director, Richardson Kerr Proprietary, Ltd., Melbourne (Insurance Brokers); Commissioner of the State Savings Bank of Victoria.

Mr. Alexander Foulis BELL, C.M.G.
Merchant, Managing Director of Robert Harper & Co., Ltd., Melbourne.

Secretary:

Major O. C. W. FUHRMANN, O.B.E.

Autriche. — Austria.

M. Edouard HEINL.
Ancien Ministre fédéral du Commerce, Député.

M. Richard RIEDL.
Ancien Envoyé extraordinaire et Ministre plénipotentiaire.

Madame Emmi FREUNDLICH.
Conseiller national, Présidente de la Ligue internationale des coopératives.

Le Docteur Richard SCHÜLLER.
Chef de Section à la Chancellerie fédérale.

Experts:

- Le Docteur Robert BREZA.
Conseiller ministériel en retraite, Chef de bureau de la Chambre de commerce, des métiers et de l'industrie, à Vienne.
- Le Docteur Rodolphe BRICHTA.
Secrétaire de l'Association des commerçants de Vienne.
- M. Rodolphe COLLOREDO-MANNSFELD.
Propriétaire foncier, membre de la Chambre d'agriculture de Basse-Autriche.
- Le Docteur François HIETEL.
Conseiller économique, Conseiller de la Chambre d'Agriculture de Basse-Autriche.
- Le Docteur Benedikt KAUTSKY.
Secrétaire de la Chambre du travail de Vienne.
- M. Jean KÖRBER.
Conseiller municipal, Vice-président de la Fédération des Associations des métiers.

- Le Docteur Ernest STADLER.
Conseiller ministériel en retraite, Syndic de la Fédération des Associations des métiers.
- M. Joseph P. FLANDERA.
Secrétaire général de l'Association des métiers, à Vienne.
- M. Henri LENHART.
Conseiller commercial, Président de l'Union du commerce et des métiers, Vice-président de la Chambre de commerce, des métiers et de l'industrie, à Vienne.
- Le Docteur Max SOKAL.
Directeur du *Giro- und Cassen-Verein*, à Vienne, Secrétaire général de l'Union des banques.
- Le Docteur Frédéric WERNER.
Conseiller ministériel en retraite, Secrétaire général de la Fédération des banques et banquiers autrichiens.
- M. François SPALOWSKY.
Député.
- Le Docteur Gustave WEISS-WELLENSTEIN.
Secrétaire général de la Fédération de l'industrie.

Belgique. — Belgium.

- Le Baron TIBBAUT.
Premier Vice-Président de la Chambre des Représentants, ancien Président du Conseil supérieur de l'Agriculture.
- M. VAN DEN BROECK.
Membre de la Chambre des Représentants.
- M. Gustave-Léo GÉRARD.
Directeur général adjoint du Comité central industriel de Belgique.
- M. Victor SERWY.
Directeur de l'Office coopératif belge.
- M. C. MERTENS.
Secrétaire général de la Commission syndicale de Belgique.

Experts:

- M. DELVIGNE.
Membre de la Chambre des Représentants, Président du Syndicat des métallurgistes.
- M. CHEVREMONT.
Directeur de coopératives, à Liège.
- M. PAUWELS.
Secrétaire général de la Confédération des syndicats chrétiens.
- M. J. LAMBERT.
Licencié du degré supérieur en sciences commerciales et consulaires, Directeur adjoint de la coopération belge « Bien-être », 15 rue de Demer, à Hasselt.
- M. G. MULLIE.
Sénateur.
- M. Maurice ANSIAUX.
Professeur à l'Université libre, Bruxelles.

- M. DELMER.
Ingénieur en chef, Administration des mines, rue Guimard, Bruxelles.
- M. VAN LANGENHOVE.
Chef du Cabinet du Ministre des Affaires étrangères.
- M. BONDAS.
Secrétaire de la Commission syndicale de Belgique.
- M. A. LOMBARD.
Trésorier de la Centrale des mineurs.
- M. A. GAILLY.
Secrétaire de la Section des métallurgistes de Charleroi.
- M. Georges DIDIER.
Directeur général de la Fédération des Associations charbonnières de Belgique.
- M. LOUIS ROISIN.
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- M. Léon GRAVEZ.
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- M. Marcel HABETS.
Directeur des charbonnages de la Société John Cockerill.
- M. Ivan ORBAN.
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- M. VAN BUGGENHOUT.
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- M. Octavio DE PARANAGUÁ.
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Sir A. Norman HILL, Bart.
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M. DUCHEMIN.
Industriel, Président de la Confédération géné-
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- M. FOUGÈRE.
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- M. GOUNOD.
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- M. HOELLING.
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- M. KIENER.
Président de la Chambre de commerce de Colmar.
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- M. Théodore LAURENT.
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- M. MAGNAN.
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Sénateur du Nord, Président du Conseil supérieur des Chemins de fer.

- M. MARLIO.
Président du Comité central de l'aluminium.
- M. MATHON.
Président du Comité central de la laine.
- M. Ernest MERCIER.
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- M. Daniel MIEG.
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- M. Ernest POISSON.
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- M. DE ROUSIERS.
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- M. René THÉRY.
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Guatemala. — Guatemala.

- M. Felipe SOLARES.
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- Son Excellence le Comte Jean HADIK.
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- Le Baron Maurice KORNFELD.
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- M. Charles DE VÉGH.
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- M. Charles KRESZ.
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- M. Jean NYULÁSZY.
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- M. Alexandre BLASKOVICH.
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Secrétaire :

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- Sir Campbell W. RHODES, C.B.E.
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ulture, du Commerce et de l'Industrie aux Indes
néerlandaises.

M. J. OUDEGEEST.
Secrétaire général de la Fédération syndicale inter-
nationale.

Le Docteur A. R. ZIMMERMAN.
Ancien Bourgmestre de la Ville de Rotterdam,
ancien Commissaire général de la Société des Nations
pour l'Autriche.

Experts :

M. E. DE KRUYFF.
Ingénieur, ancien Chef de la Division du com-
merce du Département de l'Agriculture, du
Commerce et de l'Industrie aux Indes néerlan-
daises.

M. M. P.-L. STEENBERGHE.
Docteur en droit, Industriel, Membre du Conseil
de l'Industrie.

Le Docteur A. N. MOLENAAR.
Secrétaire général de la Fédération des em-
ployeurs néerlandais, Membre du Conseil de
l'Industrie

M. P.-J.-S. SERRARENS.
Membre du Bureau de la Fédération ouvrière
catholique romaine des Pays-Bas, Secrétaire
général de la Confédération internationale des
Syndicats chrétiens.

M. H. AMELINK.
Secrétaire de la Fédération des Syndicats chré-
tiens des Pays-Bas.

M. L. MEYERS.
Chef de la Division des douanes au Ministère
des Finances.

M. A. Th. LAMPING.
Consul au Ministère des Affaires étrangères.

Secrétaire :

M. VAN WOERDEN.
Attaché au Service consulaire.

Perse. — Persia.

M. AMID.
Ministre plénipotentiaire et Envoyé extraordinaire
à Rome.

Le Docteur GHADIMY.
Directeur de l'Office de Perse à la Société des
Nations.

M. MOLITOR.
Administrateur général des Douanes.

Expert :

Le docteur KITABGI Khan.

Pologne. — Poland.

M. Hipolit GLIWIC.
Ancien Ministre de l'Industrie et du Commerce, Vice-
Président du Syndicat des forges polonaises, Admi-
nistrateur délégué de la Banque du Commerce à
Varsovie.

M. Franciszek DOLEZAL.
Sous-secrétaire d'Etat au Ministère du Commerce et
de l'Industrie.

M. Herman DIAMAND.
Député.

Son Excellence M. Franciszek SOKAL.
Ministre plénipotentiaire, Délégué permanent à la
Société des Nations, ancien Ministre du Travail et de
l'Assistance sociale.

M. Jan STECKI.
Sénateur, Président de l'Union des Producteurs agri-
coles de Pologne.

Note : Le Gouvernement polonais a fait savoir que,
dans le cas où l'un des membres désignés ci-
dessus se trouverait empêché d'assister aux séan-
ces, il sera remplacé par une des personnes men-
tionnées ci-dessous, conformément au règlement
de la Conférence.

M. Felix MLYNARSKI.
Vice-président de la Banque de Pologne.

M. Edmond TREPKA.
Député, Directeur de l'Union des industries chimi-
ques en Pologne.

M. Juljan CYBULSKI.
Directeur de l'Union des industries minière et métal-
lurgique de Haute-Silésie.

M. Zygmunt CHMIELEWSKI.
Directeur de la Caisse centrale des coopératives
agricoles.

M. Rawita Christian OSTROWSKI.
Président du Comité permanent du Bois.

Experts :

M. Leon BABINSKI.
Jurisconsulte du Ministère des Affaires étrangères.

M. Roger BATTAGLIA.
Membre du Comité consultatif économique, Di-
recteur de l'Association de l'industrie de la
Confection.

M. Esden TEMPSKI.
Président de la Chambre d'Agriculture de
Poméranie.

M. Waclaw FAJANS.
Ancien Sous-Secrétaire d'Etat au Ministère des
Finances.

M. Jozef GIEYSZTOR.
Professeur à l'Ecole polytechnique.

M. Jerzy GOSCICKI.
Député, ancien Ministre de l'Agriculture.

- M. Tadeusz GWIAZDOWSKI.
Conseiller de la Délégation Polonaise auprès de la Société des Nations.
- M. Etienne KROLIKOWSKI.
Chef de division au Ministère de l'Agriculture.
- M. Stanislaw LANDIÉ.
Directeur du Département du Commerce au Ministère de l'Industrie et du Commerce.
- M. Leon LITWINSKI.
Conseiller commercial de la Légation de Pologne à Bruxelles.
- Le Comte Leon LUBIENSKI.
Sénateur, agriculteur.
- M. OKOLSKI.
Professeur à l'Ecole polytechnique, Président de l'Union de l'Industrie mécanique.
- M. PONIATOWSKI.
Député, Vice-Maréchal de la Diète.
- M. SKOKOWSKI.
Conseiller ministériel au Ministère du Travail et de l'Assistance sociale.
- M. WARTALSKI.
Député.

- M. J. ZAGLENICZNY.
Président de l'Union de l'Industrie sucrière.
- M. ZWOLINSKI.
Chef de division au Ministère de l'Industrie et du Commerce.

Secrétaire général :

- M. Stanislaw LEPKOWSKI.
Docteur en droit, Conseiller au Ministère des Affaires étrangères.

Secrétaire général adjoint :

- M. Antoine ROMAN.
Conseiller au Ministère des Affaires étrangères.

Secrétaires :

- M. A. G. BENIS.
Secrétaire de Légation.
- M. Pawel MORSTIN.
Secrétaire de Légation.

Secrétaire particulier de M. Gliwic.

- M. SZYMANOWSKI.

Portugal.

- M. Francisco Pinto DA CUNHA LEAL.
Ingénieur, Gouverneur de la Banque d'Angola, ancien Président du Conseil et Ministre des Finances.
- M. Francisco Antonio CORRÊA.
Directeur de l'Institut supérieur de commerce, ancien Ministre des Affaires étrangères et des Finances.
- M. Jorge Botelho MONIZ.
Commerçant, ancien Directeur général des Approvisionnements, ancien Directeur de la Fédération des syndicats agricoles.

Secrétaire :

- M. José DE LIMA SANTOS.

Roumanie. — Roumania.

- M. Eugène NECULCEA.
Ministre plénipotentiaire, ancien Professeur universitaire, ancien Directeur général au Ministère des Finances, ancien Délégué commun de la Grèce, de la Pologne, de la Roumanie, du Royaume des Serbes, Croates et Slovènes et de la Tchécoslovaquie à la Commission des Réparations, Membre de la Commission économique et financière de la Société des Nations.
- M. Barbu CATARGI.
Député, Délégué suppléant de la Roumanie à la Société des Nations.
- M. N. MURGASIANU.
Sénateur, ancien Secrétaire général au Ministère des Finances, ancien censeur à la Banque nationale de Roumanie, membre du Conseil d'administration des Chemins de fer roumains.
- M. I. GIGURTU.
Ingénieur, Député, Directeur général de la Société minière « Mica ».
- M. G. STEFANESCU.
Député, Avocat.

Experts :

- M. Const. I. KÁRADJA.
Consul général.
- M. Emile MARIAN.
Agronome, Directeur général de la Société roumaine pour la sélection des céréales, Membre de la Commission internationale d'Agriculture de Paris.
- M. Grégoire GAFENCU.
Directeur du journal économique et financier *Argus*.

Secrétaire :

- M. C. KARADJA.
Consul général.

Salvador.

- M. Arcadio SANDOVAL.
Secrétaire de la Délégation permanente à la Société des Nations, ancien Consul général du Salvador.

Royaume des Serbes, Croates et Slovènes. — Kingdom of the Serbs, Croats and Slovenes.

- Le Docteur Slavko SEČÉROV.
Député.
- Le Docteur Otto FRANGESCH.
Professeur à l'Université de Zagreb.
- M. Vlada ILITCH.
Industriel, Vice-Président de la Chambre de l'Industrie à Belgrade.
- M. Ivan AVSENEK.
Industriel.
- Experts :*
- M. Radmilo BOUÏDITCH.
Inspecteur au Ministère des Finances.
- M. Georges ČURČIN.
Secrétaire général de la Confédération des corporations industrielles.
- Le Docteur Milan LAZARÉVITCH.
Inspecteur au Ministère du Commerce et de l'Industrie.

M. Douchan GEORGEVITCH.
Chef de section au Ministère des Affaires étrangères.

M. Svetislav MARODITCH.
Secrétaire de la Chambre de Commerce de Belgrade.

M. Valdémár LOVNATCHÉK.
Docteur en droit, Secrétaire de la Chambre de Commerce et de l'Industrie de Zagreb.

M. Ivan MOHORITCH.
Secrétaire de la Chambre de Commerce et de l'Industrie de Ljubljana.

M. Voïslav BÉSSAROVITCH.
Secrétaire de la Chambre de Commerce de Sarajévo.

M. Milan KREKITCH.
Membre du Secrétariat central des Chambres ouvrières.

M. Bogosav LAZITCH.
Secrétaire au Ministère des Finances.

Secrétaires :

M. Milivoyé B. GAVRILOVITCH.
Secrétaire au Ministère des Affaires étrangères.

M. Douchan DRASCHKOVITCH.
Attaché au Ministère des Affaires étrangères.

Siam.

Son Altesse le Prince CHAROON.
Ministre du Siam à Paris.

Suède. — Sweden.

M. Anders ÖRNE.
Directeur général des Postes, Sénateur, ancien Ministre des Communications.

M. Oscar RYDBECK.
Directeur en chef de la Banque « Skandinaviska Kredit-aktiebelaget ».

M. Gustav CASSEL.
Professeur à l'Université libre de Stockholm.

M. V. G. LUNDBIK.
Conseiller commercial, Directeur en chef de la Fédération des industries suédoises.

M. J. O. JOHANSSON.
Trésorier de la Confédération générale du Travail.

Experts :

M. Christian GÜNTHER.
Chef de la Division commerciale au Ministère des Affaires étrangères.

Le Docteur Erik SJÖSTRAND.
Conseiller social, Représentant de la Suède auprès du Bureau international du Travail.

Le Docteur Ernst HÖIJER.
Chef de la Statistique agricole de Suède.

Secrétaire :

M. Per WIJKMAN.
Secrétaire au Ministère des Affaires étrangères.

Suisse. — Switzerland.

M. Walter STUCKI.
Directeur de la Division du commerce au Département fédéral de l'Economie publique, à Berne.

M. Léopold DUBOIS.
Président de la Société de Banque Suisse, à Bâle, membre du Comité financier de la Société des Nations.

Le Docteur Ferdinand PORCHET.
Conseiller d'Etat, Chef du Département de l'Agriculture, de l'Industrie et du Commerce du Canton de Vaud, à Lausanne.

Le Docteur Ernest WETTER.
Vice-Président du Directoire de l'Union suisse du commerce et de l'industrie, à Zurich.

Le Docteur Max WEBER.
Secrétaire de l'Union syndicale suisse, à Berne.

Experts :

M. Joseph SCHERRER.
Conseiller national, Président de l'Union ouvrière chrétienne sociale suisse, à Saint-Gall.

M. Rodolphe BAUMANN.
Ancien conseiller national, Directeur de l'Union Helvetia ; Président de la Fédération des sociétés suisses d'employés.

M. CATTANI.
Ingénieur, Secrétaire de la Société suisse des constructeurs de machines, à Zurich.

Le Docteur J. CAGIANUT.
Président de la Société suisse des entrepreneurs, à Zurich.

Le Docteur O. STEINMANN.
Secrétaire de l'Union centrale des associations patronales suisses, à Zurich.

Secrétaire :

M. H. DE TORRENTÉ.
Secrétaire de la Division du commerce au Département fédéral de l'Economie publique, à Berne.

Tchécoslovaquie. — Czechoslovakia.

M. J. DVOŘÁČEK.
Ingénieur, ancien Ministre du Commerce.

Le Docteur F. HODÁČ.
Professeur d'économie politique, Président de la Confédération des organisations patronales tchécoslovaques.

M. Ferdinand KLINDERA.
Ingénieur, Président de « Centrokooperativ » et de l'Union centrale des coopératives agricoles.

M. Rodolphe TAYERLE.
Député, Secrétaire général de la Confédération des syndicats.

Le Docteur Charles URBAN.
Ancien Ministre du Commerce.

Note : Le Gouvernement tchécoslovaque a fait savoir que, dans le cas où l'un des membres désignés ci-dessus se trouverait empêché d'assister aux séances, il sera remplacé par une des personnes mentionnées ci-dessous, conformément au règlement de la Conférence.

Le Docteur V. IBL.
Conseiller de légation.

Le Docteur Kornel STODOLA.
Sénateur, Président de la Chambre de Commerce,
Bratislava.

M. Leopold SAŇKA.
Président de la Confédération des cheminots socia-
listes-chrétiens, à Brno.

M. A. TUČNÝ.
Député, ancien Ministre des Travaux publics.

Experts :

Le Docteur A. BASCH.
Chargé des cours d'économie politique à l'Uni-
versité de Prague et Directeur du Bureau d'étu-
des de la Banque nationale tchécoslovaque.

Le Docteur Zdenko FAFL.
Secrétaire de la Chambre du Commerce et de
l'Industrie, à Prague.

Le Docteur B. HANOSEK.
Conseiller au Ministère tchécoslovaque de l'Agric-
ulture.

Le Docteur Cyril HORÁČEK.
Chargé des cours d'économie politique à l'Uni-
versité de Prague et sous-secrétaire au Ministère
tchécoslovaque du commerce.

Le Docteur J. KISLINGER.
Membre du Conseil d'administration de la Fédé-
ration des industriels allemands en Tchécoslo-
vaquie.

Le Docteur François LENFELD.
Secrétaire de la délégation permanente des Con-
seils d'agriculture à Prague.

Le Docteur A. MAYER.
Propriétaire à Viklantice.

M. J. MAYER.
Député.

M. Adolf POHL.
Député, Secrétaire de la Confédération des
mineurs, à Teplice-Trnovany.

M. Charles MEČÍŘ.
Ministre plénipotentiaire, Secrétaire général du
Bureau international agraire.

Le Docteur L. RADIMSKÝ.
Attaché au Ministère des Affaires étrangères.

Le Docteur Joseph VANĚK.
Secrétaire de la Fédération des industriels
tchécoslovaques.

Le Docteur Joseph WALTER.
Secrétaire de la Chambre de Commerce, à Liberec.

Le Docteur Ernest ZUCKER.
Industriel, Vice-Président de l'Association de
l'industrie textile tchécoslovaque.

Secrétaire général :

Le Docteur V. IBL.
Conseiller de légation.

Turquie. — Turkey.

Son Excellence HASSAN Bey.
Député de Trébizonde, Vice-Président de la grande
Assemblée nationale, ancien Ministre des Finances.

Son Excellence DJELAL Bey.
Député de Smyrne, ancien Ministre de l'Economie
publique, Directeur général de l'Ichbankassi.

Son Excellence Moustafa CHÉREF Bey.
Ancien Ministre d'Etat, Député de Bourdour.

Secrétaire :

Faïk HUSSEIN Bey.
Deuxième secrétaire de la Section consulaire du
Département des Affaires étrangères.

Experts :

Rechid SAFVET Bey.
Ancien Conseiller d'Etat, Rédacteur en chef de
l'Economiste d'Orient.

HAKKI Bey.
Inspecteur en chef des Douanes turques à
Constantinople.

Ishak AVNI Bey.
Conseiller.

Union des Républiques soviétistes socialistes. — Union of Socialist Soviet Republics.

M. Valerien BOLENSKI-OSSINSKI.
Chef de l'Administration centrale statistique de
l'U.R.S.S., membre du Conseil des Commissaires du
Peuple de l'U.R.S.S.

M. Grégoire SOKOLNIKOFF.
Président adjoint de la Commission des plans et des
projets de l'Etat de l'U.R.S.S.

M. Léon KHINCHUK.
Président de la Délégation commerciale de l'U.R.S.S.
à Londres.

M. Jean LEPSÉ.
Président du Syndicat professionnel des ouvriers en
métaux.

Experts :

M. Boris BORILINE.
Docent d'Economie politique à l'Institut d'Eco-
nomie nationale à Moscou.

M. Vladimir GROMAN.
Membre du présidium de la Commission des
plans et des projets de l'Etat de l'U.R.S.S.

M. Michel KAUFMANN.
Directeur de l'Administration des traités et du
droit au Commissariat du Peuple pour le Com-
merce extérieur et intérieur.

M. Eugène VARGA.
Membre du Conseil de la Représentation com-
merciale de l'U.R.S.S. à Berlin.

Le Professeur N. N. LIOUBIMOFF.

M. A. A. KISSIN.

M. Léon EVENTOFF.
Professeur, Directeur de la Commission des plans
et des projets d'Etat de l'U.R.S.S.

Secrétaire général :

M. Boris STEIN.
Directeur du Département de l'Europe centrale au
Commissariat du Peuple pour les Affaires étrangères

Secrétaire général adjoint :

M. Vladimir SCHAPIRO-SOCOLINE.
Chef adjoint du Service du Protocole au Commissariat
du Peuple pour les Affaires étrangères.

Secrétaire particulier de M. Obolenski-Ossinski :

M. Antoine SCHUSTER.
Secrétaire d'Ambassade.

Secrétaire particulier de M. Khinchuk :

M. I. S. SWAVITCH.
Bachelier ès sciences économiques.

Personnel technique:

M. Alexandre DVORINE.

Secrétaire-expert du Président du Conseil des Commissaires du Peuple.

M^{me} Anastasie BAIROULÉVITCH.

M^{me} Xénie BOLCHAKOFF.

M. Julien ROSENBLATT.

Correspondant spécial de l'Agence télégraphique de l'U.R.S.S. (TASS).

Uruguay.

M. Julio Maria SOSA.

Membre du Conseil national d'administration, ancien Président du Conseil national d'administration, ancien Sénateur, ancien Député.

M. Antonio BACHINI.

Ancien Ministre des Affaires étrangères, ancien Député, Envoyé extraordinaire et Ministre plénipotentiaire à Berlin.

Son Excellence M. Enrique BUERO.

Ministre de l'Uruguay à Berne, ancien Sous-secrétaire d'Etat aux Finances, ancien Député.

M. Pedro COSIO.

Docteur ès sciences politiques, Directeur de la Banque populaire, ancien Ministre des Finances, ancien Ministre de l'Uruguay en Grande-Bretagne, ancien Député, ancien Inspecteur général des Douanes.

M. Hipolite GALLINAL.

Ancien Sénateur.

Venezuela.

Son Excellence le Docteur C. PARRA-PEREZ.

Ancien Plénipotentiaire spécial près le Conseil fédéral suisse, Chargé d'affaires à Berne.

M. Manuel Tiberio ARREAZA.

Docteur en droit, Professeur à l'Université de Caracas.

MEMBRES NOMMÉS PAR LE CONSEIL LE 9 MARS 1927.
MEMBERS APPOINTED BY THE COUNCIL ON MARCH 9TH, 1927.

M. Arthur FONTAINE.
Président du Conseil d'administration du Bureau international du Travail.

M. G. DE MICHELIS.
Président de l'Institut international d'Agriculture, Rome.

Experts:

M. Louis DOP.
Vice-Président de l'Institut international d'Agriculture.

Le Docteur Giorgio CAPONE.
Rédacteur principal à l'Institut international d'Agriculture.

M. Ivan GRINÉNCO.
Docteur ès sciences agronomiques, Rédacteur principal à l'Institut international d'Agriculture.

M. Carlo DRAGONI.
Secrétaire général de l'Institut international d'Agriculture.

Mr. Henry John MAY, O.B.E., J.P.
Secrétaire général de l'Alliance coopérative internationale.

Mlle E. C. VAN DORP.
Docteur en droit, Secrétaire du Comité national hollandais de coopération intellectuelle.

Le Docteur Marie-Elisabeth LÜDERS.
Membre du Reichstag, membre du Comité exécutif du « Normenausschuss der Deutschen Industrie », membre du « Reichskuratorium für Wirtschaftlichkeit ».

Mrs. Barbara WOOTTON, M.A., J.P.
Principal of Morley College for Working Men and Women, Member of Central Executive Committee, Workers' Educational Association.

Chambre de Commerce Internationale (Paris)

M. Etienne CLÉMENTEL.
Président-Fondateur de la Chambre de commerce internationale, ancien Ministre des Finances, Sénateur.

Suppléant:

M. R. P. DUCHEMIN.
Industriel, Président de la Confédération générale de la production française, Président de l'Union des industries chimiques.

Secrétaire général:

M. Pierre VASSEUR.

Secrétaire adjoint de la Chambre de Commerce internationale.

Mr. ROLAND W. BOYDEN.

Former unofficial American Observer on the Reparations Commission, Member of the firm of Ropes, Gray, Boyden & Perkins.

Le Docteur Karl KOTZENBERG.

Membre du Conseil économique du Reich, Membre du Präsidium du « Zentralverband des Deutschen Grosshandels », Président du Conseil de l'Aviation allemande, Vice-Président de la Chambre de Commerce et d'Industrie de Francfort, Membre du Conseil économique du Reich.

M. Gino OLIVETTI.

Député, Secrétaire général de la Confédération fasciste de l'industrie italienne.

The Rt. Hon. Walter RUNCIMAN, M.P.

Member of the Privy Council, Former President of the Board of Trade, Director of the Westminster Bank Ltd., Chairman of the United Kingdom Temperance and General Provident Institution

Experts:

M. Edouard DOLLÉANS.

Secrétaire général de la Chambre de Commerce internationale, Président du Comité de coordination des travaux de la Commission des entraves au commerce.

M. Arthur R. JELF.

Membre du Comité de coordination des travaux de la Commission des entraves au commerce.

M. Léon LAVAL.

Ingénieur, Vice-Président de la Chambre de Commerce.

M. Alexandre DE LAVERGNE.

Maître des requêtes honoraires du Conseil d'Etat, Délégué général de la Conférence générale de la Production française.

M. Basil MILES.

Commissaire administratif américain près la Chambre de Commerce internationale.

M. Jean PROIX.

Premier Secrétaire adjoint de la Chambre de Commerce internationale.

Dr. Gerhard RIEDBERG.

Commissaire administratif allemand près la Chambre de Commerce internationale.

Le Docteur SIEGERT.

Syndic.

EXPERTS INVITÉS PAR LE PRÉSIDENT DE LA CONFÉRENCE.
EXPERTS INVITED BY THE PRESIDENT OF THE CONFERENCE.

(Résolution du Conseil du 9 mars 1927.) — (Resolution adopted by the Council on March 9th, 1927.)

Sir Hubert Llewellyn SMITH, G.C.B.
Membre du Comité économique de la Société des Nations.

Marquis L. DE VOGÜÉ.
Président de la Commission internationale d'agriculture de Paris.

M. Jules BRUNET.
Président du Bureau international pour la publication des tarifs douaniers, membre du Comité économique de la Société des Nations.

M. Francisco MAURO.
Président du Conseil de direction de l'Institut international d'organisation scientifique du travail.

Mr. Edward E. HUNT.
Membre du Comité international d'Organisation scientifique du travail.

Dr. E. C. SNOW.

Secretary-General of the International Council of Tanners.

Mr. PASCALL.

President of the Rotary International.

Mr. Geoffrey MANDER.

Member of the Rotary International.

M. J. RÉVEILLAUD.

Président de la Commission de répartition des dépenses de la Société des Nations.

M. Georg SCHMIDT.

Membre du Reichstag, Secrétaire de la Fédération allemande des Travailleurs agricoles, Secrétaire de la Fédération internationale des Travailleurs agricoles.

LES PERSONNES SUIVANTES ASSISTAIENT A LA CONFÉRENCE
A TITRE D'OBSERVATEURS :

THE FOLLOWING PERSONS WERE PRESENT AS OBSERVERS.

- | | |
|--|---|
| M. Carlos SERRANO. (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Paris. | M. F. PHILLIPE S. (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Buenos-Ayres. |
| M. Enrique NARVAEZ (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Madrid. | M. Jules LECOCQ.
Secrétaire général de l'Organisation internationale des employeurs industriels. |
| M. Alfredo MARTINEZ BAEZ (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Londres. | M. Aloys HENTSCH.
Economiste, rapporteur du Sous-Comité économique de l'Union internationale des Associations pour la Société des Nations. |
| M. Julio POULAT. (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Vienne. | M. Francis DELAISI.
Economiste, membre du Sous-Comité économique de l'Union internationale des Associations pour la Société des Nations. |
| M. Salvadrez PRIETO (<i>Mexique</i>).
Attaché commercial à la Légation du Mexique à Rome. | |
-

Annex II.

RULES OF PROCEDURE ADOPTED ON MAY 4TH, 1927

Article 1. — PRESIDENCY AND COMPOSITION OF THE CONFERENCE.

The President of the Conference is M. Georges THEUNIS, Minister of State, nominated by the Council of the League of Nations.

The Conference shall be composed of members nominated by the Governments invited to the Conference, and members nominated by the Council of the League of Nations at its meeting of March 10th, 1927.

Members of the Conference may be accompanied by experts, whose names should be notified to the Secretary of the Conference. These experts, as well as the experts invited by the President of the Conference in virtue of the resolution of the Council dated March 10th, 1927, shall be authorised to attend the meetings. They shall not, however, be entitled to speak unless authorised to do so by the President of the Conference or the Chairmen of Committees.

If a member is prevented from attending, he may, if so authorised by the President, to whom he must address his request in writing, be represented by a person whom he shall designate specially for this purpose.

Article 2. — MEETINGS OF THE CONFERENCE.

Unless the Conference decides to the contrary, meetings shall be held at 10 a.m. and at 3 p.m. They shall end respectively at 12.30 and at 6 p.m.

All meetings of the Conference or the Committees shall be public, unless the Conference decides otherwise.

As a general rule, the meetings of any sub-committees which may be formed shall not be public.

Article 3. — AGENDA.

The agenda of the Conference shall be that laid down by the Preparatory Committee and approved by the Council at its meeting of December 9th, 1926 (Annex IV).

The order in which the different parts of the programme shall be discussed shall be determined by the Conference on the proposal of the President.

Article 4. — COMMITTEES.

The Conference shall be empowered to appoint Committees to examine the different parts of its agenda.

Members shall be invited to indicate the Committees on which they desire to sit, by entering their names on the forms prepared for this purpose by the Secretariat.

Article 5. — ROLL OF MEMBERS PRESENT.

The Secretariat shall keep a roll of members present at each meeting of the Conference and of its Committees.

Article 6. — FUNCTIONS OF THE PRESIDENT.

The President shall declare meetings open and closed, direct the work of the Conference, ensure the observation of the rules of procedure, give his ruling on points of order, call on members to speak, and declare discussion closed. Within the limits fixed by Article 11, he shall put to the vote questions capable of forming the subject of a division, and announce the result of the voting.

Article 7. — RIGHT OF SPEECH.

Every member of the Conference shall obtain authorisation from the President before rising to speak.

As a general rule, members shall be called on to speak in the order in which they apply for permission. The Chairman and the Rapporteur of a Committee may be allowed additional facilities to defend or explain the conclusions reached by their Committee.

No speaker shall have the right to speak more than once on the same subject during the general discussion, unless authorised by the President.

The President may call to order any speaker whose remarks are not relevant to the subject under discussion, and if necessary he may direct him to resume his seat.

If a member raises a point of order in the course of the discussion, the President shall take an immediate decision on that point.

If the President of the Conference or the Chairman of a Committee thinks it desirable in the interest of the smooth running of the work, he may limit the duration of speeches. It shall be understood that, in such a case, any speaker shall be entitled to request the President's permission to explain his point of view in writing in the verbatim report of the meetings of the Conference.

Article 8. — OFFICIAL LANGUAGES.

Speeches in French will be summarised in English and *vice versa* by an interpreter of the Secretariat of the Conference.

If a member does not wish to speak in one of the official languages, he may either have his speech read in French or in English by an interpreter, or he may pronounce his speech in another language, but in the latter case he must provide an interpreter to summarise his speech in one of the two official languages, and this summary shall be reproduced in the other official language by an interpreter of the Secretariat.

Article 9. — RESOLUTIONS, AMENDMENTS, MOTIONS.

Unless otherwise decided by the Conference, the text of draft resolutions, amendments and motions shall, as a general rule, be communicated in writing to the Secretary of the Conference, who will arrange for distribution.

Article 10. — CLOSURE.

Any member shall have the right at any moment to request the closure of the discussion, even if other members have expressed their intention of speaking. If ten members support the request for closure, the question shall be put to the vote by the President. One speaker, but not more, shall be authorised to oppose the motion for closing.

Article 11. — PROVISIONS CONCERNING VOTING.

In conformity with the proposals of the Preparatory Committee, as approved by the Council, divisions shall only be taken on questions of procedure, and decision shall be by majority vote. The resolutions of the Conference shall be adopted unanimously where possible. Where this is not possible, the names of the members who declare themselves in favour of the resolution shall be given.

Only members of the Conference, as defined in Article 1, paragraph 2, shall be entitled to vote. Each member shall have one vote.

Article 12. — RECORDS OF PROCEEDINGS.

After each meeting, the Secretariat shall prepare a record of the proceedings and shall communicate it to members as early as possible.

A stenographic verbatim report shall be taken of plenary meetings, and summarised minutes of the meetings of Committees.

No minutes shall be taken of the meetings of sub-committees. The latter shall, as a general rule, draw up a report, which if necessary shall be appended to the minutes of the meetings of the Committees.

Annex III.

REPORT ON THE FIRST SESSION OF THE PREPARATORY COMMITTEE
FOR THE INTERNATIONAL ECONOMIC CONFERENCE

held at Geneva from April 26th to May 1st, 1926.

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REPORT BY M. THEUNIS, VICE-CHAIRMAN OF THE PREPARATORY
COMMITTEE, ON THE WORK OF THE FIRST SESSION OF THE COMMITTEE.

Letter addressed to M. Ador, Chairman of the Committee.

[*Translation.*]

Geneva, May 1st, 1926.

Sir,

I have the honour to forward to you the following report on the work of the first session of the Preparatory Committee for the Economic Conference.

As, much to our regret, your state of health prevented you from carrying out the duties of Chairmanship entrusted to you by the Council, the Committee, at a meeting held on Monday, April 26th, appointed me Vice-Chairman, and in that capacity I directed its work.

During the first three days of the session, the various members of the Committee stated their views on the subjects which it might suitably investigate and on the procedure

to be adopted for the subsequent stages of its work. On April 28th, the Committee resolved itself into three Sub-Committees, one (Sub-Committee A) to deal with financial, agricultural and population questions; a second (Sub-Committee B) to deal with questions of industrial production, and the third (Sub-Committee C) to deal with matters relating to international trade. The details of the programme of work and composition of these Sub-Committees are given in Appendix 3. M. Belloni was appointed Chairman of Sub-Committee A, which itself formed two further Sub-Committees (Agriculture, Chairman, Mr. Gilbert; and Finance, Chairman, M. de Andrada, and subsequently M. Dubois). M. Hodač was appointed Chairman of Sub-Committee B and Mr. Allyn Young Chairman of Sub-Committee C.

These Sub-Committees were carefully chosen so as to include, in each case, representatives of the various categories of persons sitting on the Preparatory Committee itself: manufacturers, workers and consumers, persons with administrative experience, financiers and economists. I would mention, incidentally, that neither the apportionment of the work among the Sub-Committees nor their composition in any way prejudged the question of the subsequent organisation of the Preparatory Committee's work.

On April 30th, the Sub-Committees reached a unanimous agreement on the recommendations annexed hereto (Appendices 4, 5, 6). This morning, the plenary meeting of the Committee approved the whole of the work of the Sub-Committees. I summed up the results of the Committee's work in my closing address, which is also annexed (Appendix 7).

In M. Hymans' report (which was approved by the Council on December 12th last) it was stated that the Chairman of the Preparatory Committee might apply to a special Committee of the Council of the League of Nations for instructions in the intervals between the regular sessions of the Council.

I do not think that any of the questions raised during the session are such as to necessitate a meeting of this special Committee before the normal date of the Council meeting, *i.e.* in June next. If, at that moment, you should consider it desirable for me to join you in discussing the work of the next session of the Preparatory Committee with the Council of the League of Nations, I shall be pleased to come to Geneva.

As will be seen from the discussions of the Preparatory Committee, it was felt that the next session could not take place until after the Assembly of the League in September 1926. Apart from the heavy work entailed by the collection of information, we felt that opinion in interested circles must be prepared. It is essential to create an atmosphere which will assist in the particularly difficult task of determining what would be the nature and extent of the work which could most usefully be undertaken by the forthcoming World Economic Conference.

(Signed) G. THEUNIS.

Appendix 1.

LIST OF MEMBERS OF THE PREPARATORY COMMITTEE.

Chairman :

M. Gustave ADOR, Chairman of the Economic and Financial Committee of the League of Nations; Hauterive, Coligny, près Genève.

Vice-Chairman :

H. E. M. Georges THEUNIS (Belgium), Minister of State, Senator; 2, rue des Deux-Eglises, Brussels.

Members :

H. E. M. Antonio Carlos Ribeiro DE ANDRADA (Brazil), Senator; Bello Horizonte, Minas (Brazil).

Sir Arthur BALFOUR (Great Britain), Chairman of the Committee of Trade and Industry; Capital Steel Works, Sheffield (England).

- M. Ernesto BELLONI (Italy), Member of the Italian Parliament, Manufacturer ; Via San Vittoro, 18, Milan (Italy).
- M. Carlos BREBBIA (Argentine), Member of the Standing Committee of the International Institute of Agriculture in Rome ; International Institute of Agriculture, Rome (Italy).
- H. E. M. Francisco DE A. CAMBO (Spain), Chairman of the Board of Directors of the Compania Hispano Americana de Electricidad ; 30, Via Lairtovna, Barcelona (Spain).
Replaced at the first session by M. RODEZ, Advocate ; Diputación 280, Barcelona.
- H. E. M. Alfonso DA COSTA (Portugal), former Prime Minister, former Minister of Finance, late Professor of Economics ; Hôtel Vernet, rue Vernet, Paris.
- Sir Atul Chandra CHATTERJEE (India), High Commissioner for India in London ; 42, Grosvenor Gardens, London, S. W. 1.
- M. Léopold DUBOIS (Switzerland), Chairman of the Financial Committee of the League of Nations, President of the Société de Banque Suisse, Bâle.
- M. W. EGGERT (Germany), Member of the Committee of the Confederation of German Trade Unions ; Inselstrasse, 6, Berlin, S. 14.
- Mme. Emmi FREUNDLICH (Austria), Member of the Austrian Parliament, President of the International Co-operative Women's Committee ; Ebendorferstrasse, 7, Vienna, 1.
- Dr. Arthur Witter GILBERT (U. S. A.), Commissioner of Agriculture of Massachusetts ; State House, Boston, Mass., U. S. A.
- M. Hipolit GLIWIC (Poland), Head of Department in the Ministry of Industry and Commerce ; Lekarska, 19, Warsaw (Poland).
- Dr. F. HODAČ (Czechoslovakia), Secretary-General of the Czechoslovak Manufacturers' National Association ; Masarykova u., 4, Prague, 1.
- The Hon. David HOUSTON (U.S.A.), former Secretary of State for Finance, former Secretary of State for Agriculture ; 195, Broadway, New York, U.S.A.
- M. Léon JOUHAUX (France), Secretary of the Confédération générale du Travail de France ; 211, rue Lafayette, Paris.
- M. A. G. KRÖLLER (Netherlands), Member of the Economic Committee in the Ministry of Foreign Affairs ; Lange Verhout, 3, The Hague (Netherlands).
- M. Clemens LAMMERS (Germany), Member of the Reichstag ; Neue Grolmannstrasse, 5/6, Berlin-Charlottenburg.
- Mr. W. T. LAYTON (Great Britain), Editor of the *Economist* ; 32, Arthur Road, Wimbledon, S. W. (England).
- M. Bogdan MARKOVITCH (Kingdom of the Serbs, Croats and Slovenes), Director-General of the Agricultural Credit Institution of the Kingdom of the Serbs, Croats and Slovenes ; Ouprava Fondova, Belgrade, Knezev Spomenik.
- M. Kengo MORI (Japan), Japanese Government Financial Agent in London ; 7, Bishopsgate, London, E. C. 2.
- M. Anders ÖRNE (Sweden), Postmaster-General, Member of the Executive Committee of the International Co-operative Alliance ; Borgsgatan 16 B 5 tr. Stockholm, 11.
- M. Jan OUDEGEEST (Netherlands), Secretary-General of the International Federation of Trade Unions ; Tesselschadestraat, 31, Amsterdam.
- M. Henri PAUWELS (Belgium), Assistant Secretary of the International Federation of Christian Unions, Secretary-General of the Belgian Federation of Christian Unions ; 13, avenue de la Renaissance, Brussels.
- M. Henri DE PEYERIMHOFF DE FONTENELLE (France), President of the Committee of French Mine-owners ; 16, rue Séguier, Paris.
- Dr. Alberto PIRELLI (Italy), Member of the Economic Committee of the League of Nations ; Via Carlini, 1, Milan.
M. Felice GUARNEEI (Italy), Director-General of the Association of Italian Joint-Stock Companies ; Via Cesare Battisti, 121, Rome (*Substitute for the above at the last meetings*).
- Mr. A. PUGH (Great Britain), President of the General Council of the Trades Union Congress ; 32, Eccleston Square, London, W.C. 1.
Replaced at the first session by Mr. SHAW, National Union of Textile Workers ; Central Chambers, 84, Godwin Street, Bradford.
- H. E. M. Armando QUEZADA (Chile), Chilian Minister in Paris, 23, avenue du Bois de Boulogne, Paris.
- M. Felix SALAZAR (Colombia), Director of the Bank of the Republic ; Bogota (Chile).
Replaced at the first session by M. Esteban JARAMILLO, Senator.
- M. D. SERRUYS (France), Director of the Commercial Agreements Department in the Ministry of Commerce ; Ministry of Commerce, 101, rue de Grenelle, Paris.
- Dr. Adam SHORTT (Canada), C.M.G., LL.D., F.R.S.C., lately Commissioner of the Civil Service of Canada, formerly Professor of Economics, Queen's University, Chairman of Board of Historical Documents (Economic and Political) ; Board of Historical Publications, Ottawa (Canada) ; c/o Canadian High Commissioner, Trafalgar Square, London.

- Sir Hubert LLEWELLYN SMITH, G.C.B. (Great Britain), Member of the Economic Committee of the League of Nations, Economic Adviser to the British Government ; 5, The Grove, Highgate, London, N. 6.
- H.E. M. de STEFANI (Italy), Professor of Economics at the University of Rome, Member of the Italian Parliament ; Via degli Astalli, Rome.
M. Ferdinando QUARTIERI (Italy), Senator ; Senato del Regno Rome (*Substitute for the above at the last meetings*).
- M. SUGIMURA (Japan), Chairman of the Advisory Committee for Communications and Transit of the League of Nations ; 24, rue Greuze, Paris (XV^e).
- Dr. Ernst TRENDELENBURG (Germany), Under-Secretary of State at the Ministry of National Economy : 34, Victoriastrasse, Berlin, W. 9.
- Professor Allyn YOUNG (U.S. A.), Professor of Economics at Harvard University : Depart. Economics, Cambridge, Mass., U.S.A.

Appendix 2.

OPENING SPEECH OF M. ADOR, CHAIRMAN OF THE PREPARATORY COMMITTEE.

I should like first of all to tell you how extremely sorry I was when I discovered that the state of my health would prevent me from presiding in person throughout the first session of the Committee. Since the Brussels Conference, I have watched the work of the League of Nations developing in the economic and financial sphere. I have worked constantly with the Economic and Financial Organisation, which has played so large a part in the reconstruction of the world since the war. Now that the economic action of the League is about to develop still further and new paths are opening out before it, I feel greatly honoured that it should be my duty to welcome, in the name of the Council, the many distinguished persons who have come together at its request. Each member of the Committee has essential duties to fulfil in his own country, and the time which he devotes to the service of the League of Nations is precious. The Council fully realises that it is asking them to make a great sacrifice and thanks them for having taken their part in a work of which they appreciate the importance.

In opening the first session of the Committee, may I venture to remind you of the text of the decisions in virtue of which it has been convened.

On September 24th last, the Assembly had laid before it a proposal of the French delegation which was most carefully discussed by one of its Committees, and adopted the following resolution :

“The Assembly,

“Firmly resolved to seek all possible means of establishing peace throughout the world;

“Convinced that economic peace will largely contribute to security among the nations ;

“Persuaded of the necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes :

“Invites the Council to consider at the earliest possible moment the expediency of constituting on a wide basis a Preparatory Committee which, with the assistance of the technical organisations of the League and the International Labour Office, will prepare the work for an International Economic Conference.

“The convening of this Conference under the auspices of the League of Nations shall be a matter for subsequent decision by the Council.”

In conformity with this resolution, the Council, acting on the report of M. Hymans, which it approved, took the following decision :

“1. To appoint a technical Preparatory Committee, consisting not of representatives of Governments or of organisations but of persons chosen as experts and best fitted by their qualifications and personal experience for the task of preparing for the Conference.

“2. The task of this Committee will be to arrange for the preparation and collection of such economic information as may assist the work of the Conference and to consider and prepare for the approval of the Council the programme, composition, rules of procedure and date of meeting of the Conference.

“3. To constitute this Committee of persons drawn in part from the technical organisations of the League and the International Labour Office, in part from persons with experience of industry, commerce and agriculture, in part from persons of scientific qualifications as economists, in part from persons who can express the workers' and consumers' points of view. The Preparatory Committee will decide by a majority where unanimity is impossible.

"4. The Council, in special committee, will follow the work of the Preparatory Committee.

"5. The Council, having considered the list presented by the Rapporteur and the Secretary-General, authorises invitations to be issued in conformity with it and the publication of the composition of the Committee on receipt of acceptances from the persons invited.

"The appointments will be personal in character. In case a member is unable to attend, the Chairman of the Preparatory Committee will be authorised to invite another person of similar qualifications to attend in his place."

These texts show that there are two main points to be considered :

First, the Council and the Assembly both desire to make an effort to reduce the number of opportunities for international conflict afforded by rivalry between economic interests, and often by an inexact or exaggerated interpretation of these interests. The League of Nations cannot limit its action to perfecting methods for settling international conflicts ; it must endeavour to eliminate the very causes of these conflicts.

Secondly, we cannot close our eyes to the fact that serious anxiety is at present being felt by a great number of countries with regard to their economic situation. It has been necessary to consider the possibility of an international discussion of the most effective methods for restoring general prosperity.

In conformity with a tradition the excellence of which has been demonstrated, the Assembly and the Council desire that every conference should be prepared in the most methodical manner possible in order that discussions shall only begin when a clear programme of work has been established, as otherwise the conference might merely lead to useless debates which could produce no results. It is desirable that the Council should be able to place on the agenda of the Conference carefully defined questions to which practical solutions can be found.

Close association between the work of the Preparatory Committee and the work of the technical organisations of the League of Nations and the International Labour Office, which have for some years past been endeavouring to enlarge in various directions the field of international co-operation, is ensured by the presence on the Committee of several distinguished persons who have worked on the technical organisations and on the Governing Body of the International Labour Office. Like the other members of the Preparatory Committee, they have been appointed by the Council in their private capacity and do not represent here either their Governments or any organisation. But they will contribute their valuable experience in regard to the methods as well as the difficulties of international action.

The task of the Preparatory Committee, as defined in the Council's decision which I have read and in M. Hymans' report, is stated in very general terms : "It would indeed appear", says the report, "to be purposeless to restrict the freedom of action of the Preparatory Committee by too precise a programme. The Committee will have to consider in what domains the economic difficulties which are at present experienced are international in character and to discover the points in respect of which practical solutions might be contemplated, together with the appropriate methods of giving effect to these solutions. For this purpose the Committee will adopt the procedure which appears to it best calculated to achieve results. It may, for example, have recourse to enquiries, or to the consultation of experts, or it may decide to establish committees of specialists interested in the various branches of production."

It does not therefore appear to be the Committee's duty itself to supply a solution for the various problems of theory or fact which may arise as a result of the present economic situation of the world ; but when it considers its conclusions sufficiently well grounded, it will have to submit to the Council — which will sit in special committee to follow the Committee's work — a report on the programme, the composition, the rules of procedure and the date of meeting of the Conference.

I would add that, should the Preparatory Committee require instructions in the interval between the regular sessions of the Council, its Chairman could, as stated in M. Hymans' report, ask for such instructions from the special committee of the Council.

The Committee's work will doubtless include an investigation into the essential aspects of world economic conditions, in the course of which it will be necessary to endeavour to reach conclusions on the actual nature of the difficulties experienced, the possibility of discovering international remedies in certain spheres, and also the possibility of employing the machinery of the League of Nations to give effect to these solutions.

If I dwell on the preliminary character of the Committee's work, it is not that I desire to make light of its importance. This work of methodical research will not only lead to a clearer definition of the problems ; it is undoubtedly also the most satisfactory means of preparing the way for that unity of view necessary for the success of the Conference. Only by work of this kind is it possible to educate international public opinion successfully and supply it gradually with new conceptions which will guide it and enable it to give practical effect to the idea of the economic solidarity of the world, in regard to which opinion has hitherto been far from clear.

I feel sure that the Committee's work will lead to valuable results for the prosperity of the world and the firm establishment of peace.

Appendix 3.

FIRST DRAFT OF NOTES FOR SUB-COMMITTEES

A. — *Agriculture, Finance and Special Problems.*

- (a) Agricultural questions (Sub-Committee).
- (b) Currency and finance (possibly a Sub-Committee):
Currency stabilisation, exchange control, credit policy, scarcity of capital,
taxation (including double taxation), and budget charges of all kinds.
- (c) Population problems.

Members : MM. Belloni, Markovitch, Dubois, Kengo Mori, Quesada, Andrada, Eggert,
Shaw, Brebbia, Gilbert, Chatterjee, Shortt, Jaramillo.

B. — *Industrial Production Problems.*

- (a) General survey of world position :
Studies of main industries (monographs) ;
"Rationalisation of production" (standardisation, arbitration, etc.).
- (b) Industrial agreements (as to output, prices, relation to tariffs, etc.) :
Private monopolies, especially in main industries and raw materials ;
Experience of results already acquired, and safeguards in public interests.
- (c) Wages, hours, employment and conditions of work and industrial relations ;
problems arising from varying standards of life.

Members : MM. de Peyerimhoff, Lammers, Hodač, Houston, Balfour, Stefani (replaced
by Quartieri), Jouhaux, Orne, Layton, Pauwels.

C. — *Commerce and Marketing Problems.*

- (a) General survey of world trade :
Dependence of different countries on world trade ;
Undeveloped markets.
- (b) Tariffs (export and import) :
Principles of construction, systems, preferential, etc. ;
Character (instability, protective, etc.). Internal and external effect.
Regional and other agreements.
Nomenclature.
- (c) Methods of negotiation of international treaties :
Export and import prohibitions.
- (d) Other obstacles to free movement.
- (e) Subsidies (direct and indirect) :
Dumping.
- (f) State trading.
- (g) Transport questions.
- (h) Problems of distribution (e.g. raw materials).
- (i) Intermediate costs (middlemen charges).
- (j) Commercial morality (*loyauté commerciale*) (dishonest practices) :
Equitable treatment.

Members : MM. Pirelli (replaced by Guarneri), Cambo (replaced by Rodes), Llewellyn
Smith, Kröller, Trendelenburg, Serruys, Sugimura, Gliwic, Allyn
Young, Da Costa, Oudegeest, Mme. Freundlich.

Note. — The subject of causes of economic friction between nations had been suggested
by Professor Allyn Young as a special subject, but, as it runs through the special subjects
mentioned above, it does not admit of easy classification and it has been left for further
suggestions by him.

Appendix 4.

REPORT OF SUB-COMMITTEE A.

1. AGRICULTURAL QUESTIONS.

The Sub-Committee which was instructed to deal with agricultural questions has held, under the chairmanship of Dr. Gilbert, three sittings to consider the problem entrusted to it — viz., on what lines it is desirable that a survey should be prepared of the difficulties at present besetting the economic life of the world on the agricultural side.

The Sub-Committee had the advantage of the collaboration of three experts — M. Lindsay, M. Keiser and M. Schmidt (for rural workers) — and of Dr. Dragoni, the Secretary-General of the International Institute of Agriculture at Rome. The International Labour Office was represented by a member of the Agricultural Service.

The Sub-Committee took as a basis a very valuable memorandum presented to it by the Indian delegation to which it would like to express its gratitude.

The survey will, as suggested by the Sub-Committee, attempt to portray the principal factors underlying agricultural conditions to-day. As a preliminary, it is suggested that our inherent difficulties can best be brought to light by a comparison between pre-war and post-war conditions.

Agricultural operations fall naturally into the following stages : production, including credits and finance ; transport ; distribution, including stocks and prices ; and ultimate consumption.

Finance is being dealt with by a Sub-Committee on Currency and Finance. At the same time, questions of co-operative credits, costs of production and marketing costs in respect of agricultural produce falls naturally within the sphere of the Sub-Committee on Agriculture.

At the outset, the problems thus raised may be dealt with on one of two broad lines. In the first place, an attempt might be made to select agricultural produce of various classes and to analyse the volume of output country by country from the sources of origin to the ultimate destination. In the second place, it might be possible to base the enquiry on the peculiarities of the different countries, and taking each country singly to show the extent to which it is interested in the agricultural production of the world. The Sub-Committee has considered it necessary to pursue both lines of thought. The enquiry thus falls into two parts which may be broadly outlined as follows :

- A. Questions of production, prices, consumption and stocks should be dealt with under the headings of the different commodities or classes of commodities which form the subject of the enquiry. This should give a general picture of the supply of agricultural products.
- B. Successive links in the chain which connects production on the one hand with ultimate consumption on the other. The principal questions arising in this connection may be briefly summarised as follows :
 - (a) Costs of production, including questions of rent, fiscal burdens, cost of equipment, interest on capital charges and cost of labour ;
 - (b) Producers' organisations and the nature and extent of their effect on markets and prices ;
 - (c) The additions to cost involved in transit from producer to wholesaler, from wholesaler to retailer and from retailer to ultimate consumer ;
 - (d) The effect and growth of co-operative organisations shortening the marketing process.

A.

Statistics of production are of primary importance, but by themselves they do not give the whole picture. It is also necessary to estimate values from two points of view :
(i) What is the producer obtaining for his produce by reference to other wholesale prices ? ;
(ii) What has the consumer to pay by reference to the same standard ?

It is not enough here to strike an average for any given year. It will be necessary to know what maximum prices and what minimum prices have been secured during the year.

With regard to consumption, the most suitable way in which the survey may be effected under this heading is by giving statistics of imports (less re-exports) in the principal consuming countries. This information will be valuable in revealing changes of local taste.

The question of stocks is very much more difficult.

It is understood that a special examination of statistics of stocks is being made under the control of the League of Nations in agreement with the International Institute of Statistics at The Hague. The results of such an enquiry will be of the greatest value.

It now remains to examine the commodities or classes of commodities which will form the subject of this enquiry. After careful investigation, the following list was settled :

- | | |
|------------------------------------|--------------------------|
| 1. Wheat. | 12. Meat. |
| 2. Other food grains : | 13. Dairy produce : |
| (a) oats ; (b) barley ; (c) maize. | (a) butter ; (b) cheese. |
| 3. Rice. | 14. Fruit. |
| 4. Potatoes. | 15. Cotton. |
| 5. Sugar : (a) cane ; (b) beet. | 16. Wool. |
| 6. Tea. | 17. Silk. |
| 7. Coffee. | 18. Hemp. |
| 8. Tobacco. | 19. Jute. |
| 9. Wine. | 20. Flax. |
| 10. Oil-seeds. | 21. Hides and skins. |
| 11. Cattle. | 22. Rubber. |

In regard to meat, dairy produce, hides and skins and fruit, statistics of production will be difficult or impossible to obtain, and their place will therefore be taken by statistics of export from the principal producing countries.

The next question to consider is the grouping of the countries for which these statistics will be prepared. After discussion, the following grouping was accepted :

- | | |
|---|-------------------|
| 1. Europe, excluding Russia. | 5. North America. |
| 2. Union of Soviet Republics
in Europe and Asia. | 6. Caribbean. |
| 3. Rest of Asia. | 7. South America. |
| 4. Africa. | 8. Oceania. |
| | 9. World. |

This grouping of areas will be useful in illustrating tendencies in regard to the production (or export) and consumption. It is, however, quite unmanageable when questions of prices are raised. Price questions involve two considerations: first, prices can only be expressed correctly in terms of individual markets; and, secondly, they can only be expressed correctly in terms of particular currencies. Again, in the case of individual currencies, fluctuations of exchange must so far as possible be eliminated from this part of the report inasmuch as exchange falls under the heading of financial questions. It was therefore decided that gold prices should as far as possible be quoted. The following markets were suggested as a basis for pre-war and current quotations :

London	Cape Town
Hamburg	New York
Marseilles	Buenos Aires
Calcutta	Melbourne.
Kobe	

In this connection, however, it should be observed that for special commodities other special markets should form the basis of the quotations.

The discussion then turned on the question of the periods which it was necessary to take into consideration in making this survey and from which the most valuable results would be secured. Comparison with pre-war years, as already stated, is essential, but, at the same time, attention will be directed particularly to the most recent tendencies. It is proposed that an average of five pre-war years, 1909-1913, should form the basis and that modern tendencies should be illustrated from the statistics of each of the three complete years 1923, 1924 and 1925. The information would be given by means of index numbers based on pre-war figures equal to 100.

The main lines on which this survey should be prepared are the following :

- (i) Quantities produced in each main producing area on an average of 1909-13 and again during each of the three years 1923, 1924, 1925.
- (ii) Quantities imported in each main consuming area during the same periods. The distribution among various countries of destination of the exports of the most important agricultural products.

- (iii) Maximum and minimum prices in each of the principal markets of the world ; first, for the period 1909-13 (*i.e.* the maximum and minimum price of the period), and, secondly, the maximum and minimum prices respectively during each of the three years 1923, 1924 and 1925 ; eliminating so far as possible fluctuations due solely to variations of exchange.
- (iv) A comparison of pre-war and existing stocks in markets, and in respect of commodities, for which the information is available.

The advantages to be gained from such a survey are that it will show :

- (1) The extent to which production in each area exceeds or falls short of the pre-war volume ; also the world tendency.
- (2) The extent to which overseas trade in agricultural products (representing the exportable surplus) exceeds or falls short of pre-war quantities ; also the world tendency.
- (3) The extent to which the prices of agricultural produce fluctuate now as compared with pre-war.
- (4) The extent to which the prices of each class of agricultural produce vary above or below the general price level of other raw materials and of manufactured articles. It will be readily understood that, to the extent to which any particular group is more expensive than the average wholesale price index-number, the purchasing power of the producer of that commodity is increased (at the expense of the general body of consumers) and *vice versa*.
- (5) It will be possible to trace the actions and reactions between prices, production, overseas trade and (to the limited extent to which statistics are available) stocks.
- (6) It will be possible to compare these tendencies with the variations of population in the different areas.

B.

The second half of the enquiry does not require such detailed exposition. In following the chain of conditions from production to ultimate consumption, it will be impossible to adhere to the broad territorial units which we defined for the purposes of the first half of the enquiry. Instead, it will be necessary to consider developments in the principal local areas for which information is available. A consideration of the conditions of production as carried on in the agricultural enterprises will include costs of labour and some consideration of general social conditions in so far as they affect the cost which the farmer has to bear. Materials for this part of the enquiry will be available from the International Labour Office and also from the International Institute of Agriculture at Rome. So far as concerns questions of distribution and ultimate sale, valuable work has recently been done by the Linlithgow Committee in Great Britain and by other committees in other countries, official and unofficial, with special reference to the adjustment of supplies and demands and the avoidance of alternate gluts and scarcities in the interests no less of the consumer than of the producer. Material will also be available in regard to the development of the co-operative system in its application to production, marketing and sale. Finally, material will also be available to show the extent and effect of producers' organisations in countries such as the United States, Canada, Australia and India and other countries where such organisations exist.

The further question raised was that of an examination of the barriers which exist at present impeding the free flow of agricultural produce from producing to consuming countries. Many barriers of this class are necessary for the protection of human health and for the prevention of disease among animals and plants. It is naturally in the interests of the prosperity of agricultural conditions that these barriers should not go beyond the necessary minimum. The Sub-Committee understands that a special enquiry is being conducted by the Economic Committee of the League of Nations into the question of trade barriers in general and that within that enquiry special attention is being paid to these matters also.

The Sub-Committee also considered carefully the sources on which it would be able to rely for the detailed information thus required. It is aware that a great deal of information required is already available in the publications of the International Institute of Agriculture, which has now been working for nearly 20 years at Rome and which has specialised on statistics of production.

The Sub-Committee welcomes the expression of the willingness by the Institute to arrange for some of its officials to co-operate with the Secretariat of the League of Nations in this work. The International Institute of Agriculture at Rome will, in the first instance, collect the information in its possession. The Secretariat of the League of Nations will then co-ordinate this material with information drawn from other sources, including the International Labour Office, and with the other memoranda for the Preparatory Committee.

It is possible that in the course of the study it will be necessary to call on experts for their assistance, and in this connection the following names have been suggested¹:

Dr. A. BOTTO (Argentine);
Prof. J. E. BOYLE (United States);
Dr. DRAGONI (International Institute of Agriculture);
M. J. GAUTIER (France);
Sir Daniel HALL (United Kingdom);
M. F. KEISER (Germany);
Dr. B. W. KILGORE (United States);
M. KLINDERA (Czechoslovakia);
M. S. KRÓLIKOWSKI (Poland);
Dr. LAUR (Switzerland);
M. LESAGE (France);
Mr. H. A. F. LINDSAY (India);
Dr. E. G. NOURSE (United States);
Mr. R. PATTEE (United States);
Dr. W. A. RIDDELL (Canada);
M. F. ROJAS-HUNEENS (Chile);
M. G. SCHMIDT (Germany);
M. H. J. SCONCE (United States);
M. V. STOIKOVITCH (Kingdom of the Serbs, Croats and Slovenes);
.....(Italy)
.....(Hungary).

2. CURRENCY AND FINANCE.

The Sub-Committee dealing with Currency and Finance has discussed two kinds of problems.

In the first instance, it has considered which are the questions which it thinks it necessary and useful to be studied during the coming months. After discussion, the Sub-Committee drew up three groups of questions in regard to which it desires the collection of as precise and complete a documentation as possible. These groups are as follows:

- (a) Public finance.
- (b) Monetary systems and credits.
- (c) Balances of payment.

As regards the question of double taxation, the Sub-Committee proposes to await the result of the meeting of experts on this matter which will be held in the month of May.

The second problem discussed by the Sub-Committee is that of the method to be followed in studying the questions referred to. After an exchange of views, the Sub-Committee was of opinion that the best method would be to request the Secretariat of the League of Nations to collect, under the direction of M. Dubois, the necessary documentation on these questions. He would report at the next session on the state of the documentation. It is understood that the observations made by the different members of the Sub-Committee on financial questions during the course of the debates will be taken into consideration in collecting the necessary documentation.

Sub-Committee A adopted the proposals of its Sub-Committee.

3. POPULATION QUESTIONS.

Sub-Committee A dealt with this subject in full session and recommends the Preparatory Committee to take the following decision:

"The Preparatory Committee recognises that the problems which it has included in its preliminary draft programme for study and enquiry, and, in particular, the questions concerning production and commerce, are closely connected with population problems. The Committee is unable, however, on its present information, to decide whether it will be possible to recommend that population questions or certain aspects of those questions should be submitted for discussion at the future Economic Conference. The Committee decides, however, that information should be collected upon the following points in order that it may be able to take a decision at a later stage:

"(1) Natural movements of populations: births, deaths, marriages, during the periods 1900-13, 1924-26.

"(2) Artificial movements of population; emigration in its various forms, permanent and temporary.

"(3) Enquiry by uniform method, and, with the aid of one or more experts, into fluctuations of population arising out of the world-war, and fluctuations in potential labour forces during the next two decades.

¹ This list is not to be considered as final. It may be necessary to add the names of other experts.

"(4) Population density in relation to cultivable areas, natural resources on the surface and underground.

"(5) Data concerning economic development and the standard of life.

"(6) Legislation on the movement of labour.

"(7) Legislation affecting international migration in general."

The Sub-Committee further recommends that the information on these subjects should be obtained by the Chairman, M. Belloni, assisted by a secretariat comprised of a member of the staff of the International Labour Office and members of the Economic and Health Sections of the League of Nations.

It is proposed that, in addition to using the sources of information available in the publications of the International Labour Office and the Economic and Health Sections of the League, enquiries should be addressed to any external organisations, such as the Permanent Office of the Conference on Emigration at Rome, or, in the case of point (3), to experts possessing information bearing on these subjects.

Appendix 5.

REPORT OF SUB-COMMITTEE B.

Problems concerning Industrial Production.

The Preparatory Committee having instructed Sub-Committee B to consider the most appropriate means of obtaining the necessary information on questions connected with industrial production, the Sub-Committee has come to the following conclusions:

(a) It will be desirable to draw up a memorandum giving, in a general form, a table showing the economic situation of the entire world with regard to production and international trade.

The memorandum prepared for the Preparatory Committee, document C.E.C.P. 2, by the Secretariat can be used as a basis for this work; it will be revised, verified, modified if necessary, enlarged and published under the direction of M. Hodač, Mr. Layton and an economist who has followed the work of Sub-Committee C.

(b) Special papers should be prepared on a number of key industries, including certain industries which have been particularly affected by the crisis — coal, iron and steel, engineering, shipbuilding, cotton — and certain industries which are of particular interest in view of the situation and international economic relations — wool, chemical products (particularly potash), electrical engineering, silk and artificial silk, petroleum.

These papers should be arranged in accordance with the following plan:

1. Preliminary survey of the essential conditions governing the development of each industry in recent years;
2. Output capacity;
3. Actual output;
4. Number of men employed; number of men unemployed;
5. Hours of work; output per head;
6. Wages;
7. Raw materials used;
8. Customs tariffs (prohibitions; licences);
9. Exports and imports;
10. Consumption per head in each country;
11. Prices;
12. Industrial organisation; agreements; selling and buying organisation.

The statistics will, as far as possible, relate to the average for the years 1909-1913, and, as regards post-war years, to each of the years 1920 to 1925.

The plan will, of course, have to be adapted to the special conditions in each industry. These individual papers will be prepared by the Secretariat of the League of Nations, with the full co-operation of the Chairman and the members of the Sub-Committee. The Secretariat will apply for the information required to those organisations and institutions which are in a position to furnish it, more especially employers' associations, trade unions, the International Labour Office and the International Chamber of Commerce.

The members of the Sub-Committee will help the Secretariat to get into touch with employers' associations and trade unions and to obtain information from them.

The Chairman and members of the Sub-Committee will at all times be entitled to watch and supervise the preparation of the documentation.

The information collected will be examined by the Sub-Committee at another session, which might be held in October. The Sub-Committee will then be called upon to consider what conclusions should be drawn from the investigations into the situation in the various industries and the causes of their difficulties, and to decide as to the best means of verifying those conclusions, and more particularly as to the question of holding a meeting of experts on certain industries.

Experts appointed by the Secretariat, after consultation with the members of the Sub-Committee mentioned below, will investigate, on their own responsibility, the following questions :

1. The position in the various countries as regards legislation and administrative action affecting industrial and international agreements (M. Lammers).
2. Rationalisation and standardisation in industry (Mr. Houston).
3. Technical scientific progress and research (M. Lammers).
4. Recruiting and training of technical staff (Sir Arthur Balfour).
5. Improvement of conditions of labour (Sir Arthur Balfour).
6. Delimitation (Sir Arthur Balfour).
7. Arbitration (Sir Arthur Balfour).

Appendix 6.

REPORT OF SUB-COMMITTEE C.

Commerce and Marketing Problems.

Sub-Committee C presents as its report the following revision of the schedule of topics referred to it by the Preparatory Committee. This revision, it will be observed, takes the form of an analytical classification of topics which might profitably be discussed by the International Economic Conference. Certain of these topics require no further documentation, and most of them are self-explanatory. Some topics, however, probably require further elucidation, and with respect to some it is desirable that a considerable amount of information should be secured. The Sub-Committee therefore recommends :

That the Chairman of the Sub-Committee, together with such persons as he may ask to assist him, be asked to determine what information should be obtained, and, in co-operation with the appropriate organisations of the League of Nations, to arrange that such information be prepared, and that a commentary upon the classification be drawn up.

PRELIMINARY DRAFT PROGRAMME REGARDING COMMERCIAL MATTERS.

(Subject to Eventual Amendment.)

A. *Liberty of Trading.*

1. *Prohibitions of Importation and Exportation on Economic Grounds*¹.

Importation :

(a) Import prohibitions designed to safeguard the exchanges, to protect the balance of trade or to encourage saving by restricting unnecessary consumption.

(b) Prohibitions as a means of protecting national industry, as a means of defence against importation from a particular country, or as a means of retaliation against certain forms of foreign competition.

Exportation :

(a) Prohibitions intended to reserve for a country resources necessary for its industry or its food supply.

(b) Prohibitions intended to maintain a favourable level of prices.

(c) Prohibitions intended to withhold certain products from foreigners or to allow their exportation only in return for corresponding advantages.

2. *Regulation of Imports or Exports. Regime of Prices*¹.

(a) State regulation of the quantities which may be imported or exported ; contingents ; licensing systems.

¹ The subject of paragraph 1, and certain subjects dealt with in paragraph 2, have been studied by the League of Nations Economic Committee, whose reports may profitably be examined. Certain of these subjects have been dealt with in a preliminary draft convention which has been communicated to the various Governments.

- (b) Obligations to afford compensation in return for trade with foreign countries.
- (c) Dependence of trade on control of foreign exchanges.
- (d) System of maximum and minimum prices fixed by Governments for foreign trade.

3. *Monopolies of Sale, Purchase or Transport.*

- (a) Creation of exclusive organisations for sale, purchase or transport; their effect on prices and on different forms of competition.
- (b) Monopolies of sale, purchase or transport created by Governments. State or State-privileged undertakings enjoying privileges, bounties or exemptions which assure them a dominating position over similar private undertakings.

4. *State Trading.*

- (a) Immunity of commercial or transport undertakings controlled by the State from charges and obligations to which similar private undertakings are subject.
- (b) Partial or total exclusion of private undertakings from free participation in all or certain commercial or transport operations.

B. *Tariffs.*

1. *Nomenclature.*

- (a) Possibility of a uniform classification, at least in the case of standardised goods.
- (b) Advantages or disadvantages of a detailed classification based on differences in the value of similar articles, the stage of manufacture of the products, the proportion of labour embodied in them, their economic purpose or their importance in national production, etc.
- (c) Arbitrary headings in classification intended to differentiate between like products of different origin or to prevent the extension, by means of the most-favoured-nation clause, of advantages reserved for certain contracting countries.

2. *Form of Tariffs.*

- (a) Advantages and disadvantages of specific and *ad valorem* tariffs :

- (1) Erroneous classification by the Customs in the application of specific tariffs.
- (2) Valuations of goods liable to an *ad valorem* duty, on the basis of the invoice prices or prices fixed by Government or the prices ruling in the country of importation for like products. Contractual arrangements on these points.

- (b) Advantages and disadvantages :

- (1) Of the system of the single tariff reducible or not by conventional means.
- (2) Of the system of the single tariff subject or not to increase (flexible tariff).
- (3) Of the system of the double tariff involving minimum and maximum limits of protection.
- (4) Complex systems, three-column tariffs, etc.

- (c) Revenue tariffs and protective tariffs, relation between revenue tariffs and consumption duties, excise duties, octroi, etc.

3. *Level of Tariffs.*

- (a) Incidence of the level of protection on the cost of living and on the power of purchasing from abroad.
- (b) Incidence of the level of protection accorded to raw materials and foodstuffs, on national labour and its remuneration.
- (c) Incidence of the level of protection accorded to manufactured products, on the maintenance and development of national production.
- (d) Customs protection as a factor in the revival of domestic saving.
- (e) Customs protection as a factor in the balance of external payments.
- (f) Interdependence of the protection accorded to different branches of production in accordance with the national economic structure, including the relation between agricultural protection and industrial protection.
- (g) Exaggerated protection which ensures, by means of higher home prices, the possibility of selling at lower prices abroad.
- (h) Exaggerated protection to safeguard national industries whose establishment or whose conditions of production appear abnormal.
- (i) Exaggerated protection to compensate for the more favourable conditions of production enjoyed by competitors or for the more advantageous level of foreign prices.
- (j) Exaggerated protection with a view to trade negotiations, the consequences of its enforcement before or after negotiations.

4. *Establishment and Stability of Tariffs.*

- (a) Disturbance caused to trade by the prospect of tariffs in course of preparation.
- (b) Effects of tariff instability.
- (c) Methods of automatically re-establishing the incidence of duties.
- (d) Consolidated duties.

5. *Collection of Duties.*

- (a) Guarantee of equal treatment in regard to the collection of duties.
- (b) Simultaneous collection of various duties in a single payment.
- (c) Vexatious requirements as regards the declaration of goods in Customs or the passing of goods through Customs.
- (d) Application and possible extension of the 1923 Convention on the Simplification of Customs Formalities.

6. *Export Duties.*

- (a) Influence on prices of duties levied by the exporting State.
- (b) Influence on foreign production of export duties on products indispensable for industry.
- (c) Export duties as a means of restricting exports.

7. *Customs Tariffs combined with Other Duties or Exemptions.*

- (a) On imports. Differential surtaxes.
- (b) On exports. Differential regime of transport.

8. *Variations in Tariffs in accordance with the Origin of Goods, the Place whence they come, their Destination or the Frontiers or Places through which Importation or Exportation takes place.*

9. *Preferential Systems and Other Economic Ties.*

C. *Commercial Agreements.*

Advantages and Disadvantages of the Various Contractual Systems.

1. System of equality of treatment of trade, without consolidation or reduction of tariffs.
2. System of the most-favoured-nation clause with the consolidation or reduction of tariffs by convention.
3. System of the specialised most-favoured-nation clause and the double tariff.
4. Other systems, being combinations or variants of the above.

D. *Direct and Indirect Subsidies.*

Advantages granted to Production or Exportation.

- (a) Bounties actually paid by the Governments.
- (b) Fiscal exemptions in connection with goods exported.
- (c) Exemptions on importation in connection with exports.
- (d) Dumping and anti-dumping laws¹.

E. *Distribution of Goods.*

1. Excessive number of middlemen and cost of distribution. Economic difference between the producer's price and the retailer's price.
2. Effect of unstable prices (from whatever causes) on the growth of the middleman's business and particularly on speculative trade. Possibility of rapidly preparing and publishing statistics on production, consumption and stocks.
3. Organisation of centres and methods of distribution. Co-operative organisation.
4. Effects of industrial concentration and the formation of cartels on distribution and consumption.

(Note. — The commercial aspect of this question should be dealt with in connection with industrial agreements.)

F. *Unfair Commercial Practices.*

Difficulties resulting for international trade from unfair or dishonest commercial practices, and particularly from practices not covered by the Convention for the Protection of Industrial Property.

¹ The various aspects of the problem can be defined in greater detail when fuller documentation is available.

G. *Juridical Obstacles to International Trade.*

1. Contradictions between commercial laws regarding trade.
2. Impossibility of executing judgments or arbitral awards given in commercial matters in foreign countries.
3. Impossibility for foreigners to have recourse to certain administrative courts.

H. *Transports.*

1. Flag discrimination, including the preferential treatment of national vessels and their passengers and cargoes in respect of all kinds of facilities, dues, duties and charges for land and water transport, and the reserve to the national flag of trade between different territories under the same sovereignty.
2. Differential transport charges and discrimination to the detriment of the trade or transport of a country by means of combined rates between railway systems and navigation companies.
3. Discrimination in the case of transit trade.

(*Note.* — Some of these questions have already been discussed by the Organisation for Communications and Transit.)

I. *Other Obstacles to the Liberty of Trading.*

1. Differential taxes on the production, handling, circulation or consumption of goods.
2. Excessive consular charges.
3. Marks of origin.
4. Reservation of certain means of access to or of markets for certain national products.

Appendix 7.

CLOSING SPEECH OF M. THEUNIS, VICE-CHAIRMAN OF THE PREPARATORY COMMITTEE.

It may be well to sum up at this last meeting the work done during the week.

The Preparatory Committee had to consider what preparatory work was necessary to draw up the agenda of the Conference and ensure its success.

By preparatory work three things are meant. In the first place — and this is perhaps the most important point — it means the collection of statistical and other information.

Secondly, we must consider the extent and nature of this information, its meaning and the conclusions to be drawn from it, bearing in mind the points of view of all concerned. The composition of our Committee affords every guarantee that this will be done.

The third point is the preparation in the widest sense of world public opinion, without the support of which the Economic Conference cannot succeed.

We have divided our work between three Sub-Committees.

The first has dealt with questions of industrial production, including a preliminary study of the problem of industrial agreements.

A second has dealt with questions concerning international trade (tariffs, different obstacles to international trade, etc.), and a third with questions concerning agriculture, finance and population.

It is important to note that each of these Sub-Committees not only included as usual specialists on the questions dealt with but qualified representatives of the various groups of interests present at this meeting. In each Sub-Committee there were persons representing more particularly the industrial world, the working classes and the consumer, the official administrations, finance and political economy.

This gives a particular value to the unanimity of the proposals which the plenary meeting of this Committee is asked to ratify.

Working separately, each Sub-Committee has drawn up instructions for those who in the months to come will have to collect information. One Sub-Committee has given detailed instructions; another has been content with sketching the main outlines of the enquiry. In each case the recommendations are practical ones, which will be understood by those who have taken part in our discussions and will be called upon to take charge of the enquiry, and each question will keep its relative importance in the general scheme.

The task of collecting the information required will be a heavy one, but the essential thing, if the Economic Conference is to open with good prospects of success, is not an accumulation of detailed information; what is wanted is an effort to pick out the main factors of the vital problems for which satisfactory solutions may be found by means of an international discussion.

I have no doubt that this principle will be acted upon by all those who take part in the work of collecting information, and that we shall thus be in a position at our next session to select the points on which our attention and our efforts can usefully be concentrated.

I am sure that the Secretariat will succeed in its work ; it can count on the help of all the members of the Preparatory Committee, and if necessary it can apply to any person particularly expert in a given subject. The bulk of the information required is somewhat alarming, but the problem is of such gravity that it is essential that nothing should be neglected. Moreover, the interdependence and the effects of the numerous questions on each other are such that any part of the information which is not put to immediate use may prove to be of great value at a later stage.

The second phase of the work will be entered upon at the next session. The facts will have to be arranged and classified according to priority. It would be difficult to finish this complicated work before the next Assembly, and it would perhaps be better for the next session to take place immediately after the Assembly. This long delay should not be taken as evidence of a lack of energy or competence ; on the contrary, the Preparatory Committee has a lively sense of its responsibilities and consequently of the need of long and careful preparation. The Brussels Conference of 1920, which took five months to prepare, gave excellent results, but the financial problems considered at that Conference had this peculiarity—in most cases they could be considered from the national point of view. In the sphere of production and commerce, however, there is no important problem which does not require an agreement between a certain group of countries.

To this fact is due the importance of the third point to which I have drawn attention. It is essential to create a favourable international atmosphere ; for some time past, a certain improvement in this respect has occurred ; nevertheless, each of the members of the Preparatory Committee must do all in his power to create the atmosphere which is essential to the success of the Conference. It will be necessary to dispel the numerous misunderstandings which cannot fail to arise, to define the objects we wish to attain and to show that this Conference is directed against no one, but is solely concerned with the public good ; it is essential to have the full and complete co-operation of every country and every class. It must also be shown that at the present time no country can live in prosperity if other countries are in a state of poverty and uneasiness. This moral propaganda is not one of the least important parts of the work which remains to be done.

I desire to thank all my colleagues for having done such excellent work in so short a time. The Chairmen of the Sub-Committees have inspired them with zeal and energy, and the help of the members of the Secretariat and of the International Labour Office has been most valuable. In conclusion, I am sure I am voicing the general feeling in sending M. Gustave Ador the best wishes of the Committee and in expressing the hope that at the next session he will take the Chair, to which he would undoubtedly have been unanimously elected if he had not already been appointed to that post by the Council of the League of Nations.

Annex IV.

AGENDA OF THE CONFERENCE

**REPORT OF THE PREPARATORY COMMITTEE
TO THE COUNCIL ON ITS SECOND AND LAST SESSION HELD AT GENEVA
FROM NOVEMBER 15TH TO 19TH, 1926,
AND
RESOLUTION ADOPTED BY THE COUNCIL ON DECEMBER 9TH, 1926.**

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1. NOTE BY THE SECRETARY-GENERAL.

The proposal to hold an international economic conference was initiated by the resolution of the Assembly at its sixth ordinary session dated September 24th, 1925 (document A.119.1925.II).

The Council, on December 14th, 1925, constituted the Preparatory Committee, appointing M. Gustave ADOR as Chairman (see *Official Journal*, February 1926), and laid down the general lines on which the Committee was to work. Certain additions to the members were made by the Council's decision of March 17th, 1926 (see *Official Journal*, April 1926).

The first session of the Committee was held at Geneva from April 26th to May 1st, M. THEUNIS presiding in the absence through ill-health of M. Ador. At this session, of which a full report was at once published (document C.270.M.105.1926.II), the Committee drew up a comprehensive scheme of documentary preparation, deferring till a later session the question of the composition, agenda and date of the Conference.

The Council, sitting in special committee on June 8th, 1926, has considered this report, exchanged general views with regard to the future organisation of the Conference, and appointed M. THEUNIS as Chairman of the Preparatory Committee in the place of M. Ador, who had resigned on grounds of ill-health (see *Official Journal*, July 1926).

The Conference was further discussed by the Assembly at its seventh ordinary session and the Second Committee in September 1926 (document A.76.1926.II).

* * *

The tasks of the Preparatory Committee at its second session, of which the report is here printed, were : (a) to review the work of documentary preparation already accomplished and make arrangements for its completion ; (b) to make recommendations to the Council as to the agenda, composition and date of the Conference.

The report hereafter contains the conclusions and recommendations of the Committee on all these points with the reasons and with explanations.

Appendix A gives the agenda, and Appendix B gives the scheme of documentary preparation.

There is also appended the closing speech of the Chairman, in which he reviews the state of the preparation and the character of the work which remains to be done before the Conference is held.

2. REPORT BY M. THEUNIS, CHAIRMAN OF THE PREPARATORY COMMITTEE, ON THE WORK OF THE SECOND SESSION OF THE COMMITTEE.

I have the honour to report to the Council that the Preparatory Committee for the International Economic Conference met for the second time at Geneva from November 15th to 19th.

Before proceeding to state the work accomplished during this session and the recommendations agreed upon for the future organisation of the Conference, the Committee thinks it well to preface a few general remarks.

In the first place, the Committee has borne in mind throughout that the Economic Conference must be regarded not as an isolated event but as stage in the continuous work of international collaboration in the economic sphere which had begun before the project of a general Conference was launched and will continue when the Conference itself is over.

In the second place, the actual collaboration and discussion which has taken place during this last six months through the Preparatory Committee, consisting as it does of 35 persons of 21 nationalities, including industrialists, officials, economists, financiers, representatives of workers' and consumers' organisations, and agriculturists, and meeting both in full session and from time to time in smaller committees, has led to the exchange of views between persons of many diverse qualifications and countries, and, through them, with the interested classes and sections of opinion which they represent. This has, by helping to secure a suitable atmosphere for the Conference, constituted at least as important a part of the work of preparation as the collection of information.

Lastly, as to the documentary preparation, the Committee is happy to report that it is well advanced. Three important documents have already been published ; a great number of documents have been presented to the Committee at its present session, of which some will be published at once and others at intervals between now and the Conference. Many of these documents are of great interest, and their publication will, the Committee is convinced, prove one of the most valuable results of the project for a conference. That this progress has been possible has been due to the whole hearted collaboration of the Secretariat, the International Labour Office, the International Institute of Agriculture, the International Chamber of Commerce, various Government departments, and special experts of high authority who have by invitation prepared studies on different questions ; and also to the way in which a large number of industrial organisation of different countries have spared neither time nor trouble in furnishing contributions on their respective industries which are as remarkable for their wide range as for their precision.

* * *

The first task which the Committee undertook was to review this work of documentary preparation and to make the arrangements for its completion which are described in Appendix B.

The Committee also considered the three questions on which the Council had asked its advice, as to : (a) the agenda of the Economic Conference ; (b) its composition ; (c) the date of its meeting. It decided to make the following recommendations to the Council :

1. *Agenda.*

The general scope of the agenda is indicated in the resolution of the sixth ordinary session of the Assembly, which, after expressing the conviction that "economic peace will largely contribute to security among the nations", proclaimed "the necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes". The agenda had therefore to take account of the two objects contemplated by the Assembly: the prosperity and the peace of the world so far as they can be assisted by international discussion and collaboration.

In the second place, the Committee has had to bear in mind that the agenda of a general economic conference must clearly be such as to allow, on the one hand, general discussion on the principal features in the world economic situation, and, on the other hand, more concentrated discussion on those special international questions on which practical results may be hoped for.

It is indeed the duty of the Committee, as explained in the report adopted by the Council, to "consider in what domains the economic difficulties which are at present experienced are international in character, and to discover the points in respect of which practical solutions might be contemplated".

With these considerations in mind, the Committee recommends the agenda set out in Appendix A.

This agenda, as will be seen, is in two parts. The first is general; the second includes three specific groups of questions on which international discussion at the Conference with a view to practical action seems most likely to be useful.

The Committee thinks that it may be well to add the following explanatory comment.

The agenda as a whole is in the form of a few main headings, so as to give a clear and simple picture of the range of the proposed discussions, and does not set out in detail the questions covered.

For example, the Committee contemplates that the analysis of the causes of disequilibrium mentioned in the first part of the agenda will cover discussions on such questions as the relative impoverishment of Europe and its effect on industry, commerce and agriculture; the instability of the exchange value or purchasing power of currencies; and the inadequacy or high cost of capital, resulting from insufficient savings.

So, too, the heading as to the causes of the present difficulties in industry would naturally cover such questions as the abnormal increase of equipment in certain industries, the increase of cost prices resulting from the insufficiency and irregularity of demand and the difficulties of adaptation to post-war conditions.

It will be observed that financial questions have not been added as a special group. The reason is that finance, while affecting the whole economic situation, is not, as it was at Brussels, the primary purpose of the Conference; it claims a place as bearing upon economic problems. It has also been thought inopportune to include the question of population as a separate item. Like finance, it will be taken into account as a factor always present in the whole industrial, commercial and agricultural situation.

With reference to the subheading in the general part of the agenda, "Principal features and problems as seen from the point of view of different countries", the Committee suggests that members who desire to make statements under this heading should be invited to send them in writing to the Secretariat of the League some time before the Conference; this would at once shorten and render more valuable the discussion of the general questions raised in this part of the agenda.

There are two classes of questions to which the Committee has given special prominence because of their intrinsic importance and the public interest in them at the present time. The valuable report of the International Chamber of Commerce, and the consultations in many countries of which it is the fruit, are among the many indications of the interest which attaches to problems of commercial and tariff policy. And, secondly, to take a more limited sphere, recent discussions have shown the great public interest in the proposals for international industrial agreements.

Lastly, the Committee would remark that some of the difficulties which are referred to in the agenda are to a peculiar extent difficulties, in the first instance, of Europe. The Committee presumes, therefore, that attention will be given in discussing such questions to the special features in the European situation. The most important questions on the agenda are, however, clearly of world importance.

2. *Composition of the Conference.*

The Committee recommends the following scheme: the members of the Conference should be appointed by Governments, but they should be chosen for their personal qualifications and should not be spokesmen of official policy.

All Member States of the League, and all non-Member States occupying a position of importance in the economic life of the world, should be invited to select members. The expenses of the members should be borne by the Governments.

In view of the complexity and character of the subjects included in the agenda, it is desirable that the qualifications of the members of the Conference should be sufficiently varied, and that, taking the Conference as a whole, there should be a due proportion among them.

The invitations to each State should be to send members up to a maximum of five; experts might, of course, accompany them and also attend but would not have the right of speech or vote, except on the special authorisation of the Conference.

The Committee observes that at the Brussels Conference the Council made certain appointments, under conditions defined by it, in addition to the members appointed by the Governments. The Committee recommends that the Council should also reserve the right, in the present instance, to make a limited number of additional appointments before the Conference takes place, either directly or through appropriate organisations.

The Committee recommends that only questions of procedure should be settled by a majority vote, and that in other cases decisions should not be taken by voting, resolutions being passed unanimously when possible and in other cases the names of members in favour of a resolution being recorded. This would seem in conformity with the fundamental character of the Conference, which is described as follows in the report adopted by the Council on March 17th, 1926 :

“ The Conference is not to be composed of responsible delegates invested with full powers for the conclusion of conventions; it is intended rather to organise a *general consultation* in the course of which, as at the Financial Conference at Brussels, the various programmes and doctrines may be freely exposed without the freedom of discussion being restricted by any immediate necessity to transform the conclusions of the Conference into international engagements.”

It may be remarked that none of the resolutions of the Brussels Conference was taken by a majority vote.

3. *Date of the Conference.*

The last Assembly disclosed a general desire that the Conference should be held at the earliest practicable date.

The progress made in financial stabilisation and the general change in the economic position have created conditions which, in the view of the Committee, make the spring of next year a suitable time for the meeting of the Conference.

The documentary preparation is also sufficiently advanced to make this practicable, and the Committee attaches great importance to material collected not being allowed to get out of date.

The Committee therefore recommends May next, and, in view of other international arrangements, would prefer Wednesday, May 4th, as the actual date.

Geneva, November 19th, 1926.

(Signed) G. THEUNIS.

Appendix A.

AGENDA OF THE CONFERENCE.

First Part.

The World Economic Position.

Principal features and problems as seen from the point of view of different countries. Analysis of economic causes of the present disturbed equilibrium in commerce and industry.

Economic tendencies capable of affecting the peace of the world.

Second Part.

I. Commerce.

1. Liberty of trading :

- (a) Import and export prohibitions and restrictions.
- (b) Limitation, regulation or monopolisation of trade.
- (c) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.

2. Customs tariffs and commercial treaties.
Obstacles to international trade arising from :
 - (a) Form, level and instability of import and export tariffs.
 - (b) Customs nomenclature and classification.
3. Indirect methods of protecting national commerce and shipping.
 - (a) Subsidies, direct or indirect.
 - (b) Dumping, and anti-dumping legislation.
 - (c) Discrimination arising from the conditions of transport.
 - (d) Fiscal measures discriminating against foreign imported goods.
4. Repercussion upon international commerce of reduced purchasing power.

II. Industry.

1. Situation of principal industries (productive capacity, output, consumption and employment).
2. Nature of present difficulties in industry ; their industrial, commercial and monetary causes.
3. Possibilities of action :
 - (a) Organisation of production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labour ; their legal position ; their connection with Customs problems.
 - (b) Importance of collection and prompt exchange of statistical information with regard to industrial production.

III. Agriculture.

1. The present position of agriculture compared with pre-war conditions, in respect of production, consumption, stocks, prices and free circulation of agricultural products.
2. Causes of present difficulties.
3. Possibilities of international action :
 - (a) Development of, and international collaboration between, producers' and consumers' organisations, including the different systems of co-operative organisation.
 - (b) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, etc.
 - (c) Development of the purchasing power of agricultural producers.

Appendix B.

DOCUMENTATION.

The Committee decides that the documents set out in List I below should be prepared for the purposes of the Conference and recommends that they should be distributed to the invited States.

Certain of these documents have already been published and can be sent out together with the letter of invitation ; the great majority are available in a provisional form. The Committee recommends that these provisional documents should be despatched at an early date to countries far distant from the seat of the League with a note indicating clearly that they are subject to subsequent modification both as to substance and to form.

In the course of its work the Committee has collected a considerable volume of documentation in order to enable it to determine "in what domains the economic difficulties which are at present experienced are international in character". The documentation includes certain monographs prepared on the special request of the Committee by individual experts. The Committee recommends that such monographs (see List II) should be published under the name and responsibility of their individual authors before the Conference meets.

The Co-ordination of Documentation Committee shall be responsible for any further decisions necessary as to the system under which the issue of documents shall take place and as to the prior verification which may be necessary. It will be the responsibility of the respective members of the Committee to decide in what cases and to what extent consultation with any other members of the Preparatory Committee is desirable before they assent to the preparation or publication of any given documents.

List I.

First Part.

The World Economic Position.

- (a) *Memorandum on Production and Trade.*
- (b) *Memorandum on the Balance of Payments and Foreign Trade Balances, 1911-25.*
- (c) *Memorandum on Currency and Central Banks, 1913-25.*
- (d) *Memorandum on Public Finance.*
- (e) *Report of the Committee on Trade Barriers of the International Chamber of Commerce.*

Second Part.

I. Commerce.

- (a) Commentary and preliminary draft agreement for the suppression of import and export prohibitions and restrictions drawn up by the Economic Committee to serve as a basis for an international diplomatic conference.
- (b) Memorandum on regulation of quantities of imports and exports admitted.
- (c) System of maximum and minimum prices for exports.
- (d) Dependence of trade on control of foreign exchange.
- (e) Customs nomenclature and classification.
- (f) Memorandum on level of tariffs, with observations thereon.
- (g) Methods of assessment for application of *ad valorem* duties in 43 countries.
- (h) Export duties.
- (i) Variations in tariffs in accordance with the origin of goods, the place whence they come, their destination, or the frontiers or places through which importation or exportation takes place.
- (j) Memorandum on commercial agreements.
- (k) Immunities of commercial or transport undertakings controlled by the State.
- (l) Differential taxes on circulation, consumption or handling of foreign imported goods.
- (m) Discrimination in the conditions of transport.
- (n) Flag discriminations.
- (o) Short note on certain forms of direct and indirect subsidies.
- (p) Foreign legislation for the prevention of dumping, with special reference to exchange dumping.
- (q) Unfair commercial practices.
- (r) Excessive consular charges.
- (s) Marks of origin.

II. Industry.

- (a) Memorandum on coal.
- (b) Memorandum on iron and steel.
- (c) Memorandum on cotton.
- (d) Memorandum on shipbuilding.
- (e) Memorandum on chemical industry.
- (f) Memorandum on electrical engineering.
- (g) Memorandum on silk.
- (h) Memoranda on other special industries that may be approved by the Co-ordination of Documentation Committee.
- (i) Summary memorandum on various industries.
- (j) Summary of national legislation with reference to cartels and combines.
- (k) Memorandum on rationalisation and standardisation of industry and technical and scientific progress and research.
- (l) Technical education and recruitment of technical staff.

III. Agriculture.

- (a) Agricultural problems in their international aspect.
- (b) Relation of labour cost to total costs of agricultural production.
- (c) The part played by co-operative organisations in the international trade in wheat and dairy produce, together with the results of certain enquiries into the relative costs of distribution.

Documents relevant to All Parts of the Programme.

- (a) *Statistical Year-Book.*
- (b) *Monthly Bulletin of Statistics.*
- (c) Memorandum on the Economic Work of the League of Nations.
- (d) Natural movements of population during the first quarter of the twentieth century
- (e) Artificial movements of population. Emigration in its various forms, permanent and temporary.
- (f) Population density in relation to cultivated areas, natural resources on the surface and underground.
- (g) Standard of living of the workers in various countries.
- (h) Legislation concerning movement of labour and migration.
- (i) Guide to Conference documents.

List II.

Memoranda prepared for the Preparatory Committee the Publication of which is Authorised.

- (a) Estimates of working population of certain countries in 1931 and 1941 (Professor Bowley, D.Sc., F.B.H.).
- (b) Methods of economic *rapprochement* (Professor Grossmann).
- (c) Memorandum on dumping (Professor J. Viner).
- (d) Cartels and combines (Professor Wiedefeld).
- (e) Stability of Customs tariffs (J. Brunet).
- (f) Further special memoranda which may be arranged by Co-ordination of Documentation Committee.

3. CLOSING SPEECH BY M. THEUNIS, CHAIRMAN OF THE COMMITTEE.

You have to-day finished the work entrusted to you by the Council of the League of Nations. It has been a heavy and difficult task. The extent and the number of the problems raised by the existing disequilibrium of the world are such that the work before us has somewhat appalled even those who entrusted it to us; some have even thought, despite our efforts to restrict it, that it was unduly heavy and difficult.

We have, however, succeeded in noting down certain important questions, endeavouring in particular to include those which appeared to call for international action, which come within the scope of the League of Nations.

Thanks to your conscientious and untiring work and to the spirit of co-operation which has reigned throughout our meetings both in the Committees and in plenary sessions, we have succeeded in bringing a certain amount of order and clearness into the problem as a whole which our successors, the members of the International Economic Conference, will have to study further in order to arrive at a solution.

We ourselves are quite well aware that the programme which has been the outcome of our work is not perfect as it stands.

I think, however, we are entitled to regard the work which we have done in common as a useful work and as presumably fruitful work.

Other attempts have been made previously to analyse the existing economic difficulties and to seek for remedies.

We are acquainted with those attempts. The conclusions which were reached deserve to be considered with the greatest attention; but those studies were undertaken by persons belonging to circles confined to some particular sphere of activity or to groups the members of which were men in the same circumstances and whose immediate interests were closely allied.

Inevitably such a position reacted on the programme drawn up by those organisations.

The distinguishing feature of the work undertaken by the League of Nations is the entirely different composition of the Committee entrusted with the drafting of the programme of the Economic Conference and the proposed composition of the Conference itself. The League of Nations desired to lend a general character to the conclusions which would be reached, and, with that end in view, brought together members belonging to all circles.

Thus, owing to its composition, the Preparatory Committee has brought together, and the forthcoming Conference will bring together, economists, producers, traders, representatives of finance, labour and the consumers themselves, the members coming from all parts of the world.

This variety of interests and of origin will lend to the work which the Conference will do a very special value.

The political work of pacification undertaken by the League of Nations would not be comprehensible without simultaneous work in the economic field — a field which is closely connected with it.

Too many people still think that the political field and the economic field are entirely different. This is a profound and dangerous error, for every important economic question is by that very fact a political question. The work of political peace and disarmament should go hand in hand with economic peace and disarmament.

The initiative of the League of Nations has come in response to an appeal — an appeal not yet distinctly voiced — but an anxious appeal of all those who are concerned with the progress of humanity. For economic progress has not only material importance; it has also a moral value. It makes possible the development of the people towards more humane considerations. Work is a duty of mankind, but it should also be its joy, whether the work is intellectual or manual. The two are closely connected, so closely connected that it is almost impossible to consider them apart.

This situation, furthermore, adds one further element to the undeniable interdependence of peoples, which has been more and more fully realised, and which, on a larger scale, is comparable to the equally undeniable interdependence of all men, of all circles, and of all interests within each nation.

If in our present session we have succeeded in framing a document which is already precise, our work is not yet finished. If the Economic Conference is to succeed, then, as was pointed out yesterday, we must have a considerable amount of support from the public opinion of all countries, and that is one of the essential requirements for the future effectiveness of the work. I am well aware that there is a certain amount of scepticism with regard to the possible results, and therefore, if our proposals are to have an appeal, we must above all dispel the widespread misconception that we think that the utility of the Conference will be confined to the results which can be immediately and completely put into practice.

We should not hide the immense size of the task from anyone, for we quite understand its scope and are aware that it is indispensable to proceed by successive stages.

I may recall that the Brussels Financial Conference was undoubtedly of the greatest possible value, since it brought a certain amount of order into ideas and marked out the road along which the nations have been able to travel.

And yet several months — several years in fact — elapsed after that conference, and still in certain countries there was a certain amount of hesitation with regard to its findings.

With the passing of time, however, the good sense and practical value of the conclusions adopted were fully realised.

The Economic Conference will also be able to achieve excellent results which will become more and more appreciable as time goes on. But we do not deceive ourselves into the belief that they will be easier to obtain. The resolutions, the remedies and the findings of the Brussels Conference were obviously of an internal character and were hardly more than a common programme for national measures. Those of the Economic Conference will probably be entirely different. No doubt they may run counter to certain habits and to certain private interests — or, rather, to the false ideas entertained by certain circles as to their own interests — and will require temporary sacrifices.

Once we are back in our homes and back in the familiar circumstances of our work, we should continue the task begun at Geneva by a steady effort of propaganda and persuasion. It is necessary that not only what we have done but what we hope may be done should be realised. It is essential that the spirit of friendly co-operation should be spread. That is absolutely necessary.

During the conversations, not only conversations dealing with questions on a lofty plane but also in everyday conversations in the various circles which are represented here, it very often happens that economic difficulties are the subject of discussion.

The industrialists and the farmer complain of the increased cost of production and of their inability to recoup themselves in their sale price. The trader complains of the difficulties of all kinds which he encounters in transporting his goods and in bringing them on to the markets where they should normally be sold. All complain of the financial difficulties of all kinds and of the unstable condition of the exchanges which makes them all willy-nilly speculators.

The consumer, finally, who represents the great mass, complains about all these difficulties, which in his case result in what is known as the high cost of living. It is to all these that we have to address ourselves untiringly, in order to persuade them that there is something to be done to alleviate their troubles.

An important result would be obtained if we succeeded in convincing these people that, apart from remedies which can be applied by private initiative, and apart from the initiative of national Governments, something should and can be attempted. This international work is of capital importance, because the organisation of the modern world is such that the measures taken by individuals, like those taken by Governments, are inadequate unless they are amplified and supplemented by international co-operation.

That international co-operation will alone bring a remedy to the economic anarchy in which we live, and which, if we allow it to develop, can only lead to the worst possible results.

If the propaganda of which I have just outlined one of the forms reaches the various circles which are, if I may so describe it, to be converted, then we can look forward to very good results. If, here, there and everywhere, we develop a public opinion favourable to international co-operation, the Governments concerned will be obliged to take account of that fact.

They will feel themselves supported and encouraged, and consequently sufficiently strong to thrust aside, if necessary, certain private interests, interests possibly ill-understood by the parties themselves, and therefore they will be in a better position effectively to apply

the resolutions and to apply the remedies and improvements which will be recommended by the forthcoming Economic Conference.

The work which we have before us may seem to certain people unduly extensive and even Utopian.

But what is certainly not Utopian, what is a living and comforting reality, is the conscientious, thoughtful and friendly common work of so many members of various nationalities and occupations which has been carried out in this Committee.

This effort will have to be prosecuted.

And if in our personal spheres of action we encounter certain difficulties, certain resistances, and if our efforts for the dissemination of ideas seem to us somewhat isolated, let us remember that, beyond the frontiers and in other countries, there are friends — because we have all become friends, I think — who are co-operating in the same work.

The work of economic pacification will be long and will proceed by slow stages, but the aim to be achieved is worthy of our best efforts.

It will no doubt not be our generation which will gather in the fruits of all our efforts, but in the life of peoples a few years hardly count. For those who are working for a high ideal, the greatest recompense is to be able to feel that they have brought a worthy contribution to the collective work of humanity.

4. LIST OF MEMBERS OF THE PREPARATORY COMMITTEE PRESENT AT THE SECOND SESSION¹,

Chairman.

H.E. M. Georges THEUNIS (Belgium), Minister of State, Senator; 2, rue des Deux-Eglises, Brussels (Belgium).

Members.

Sir Arthur BALFOUR (Great Britain), Chairman of the Committee on Trade and Industry; Capital Steel Works, Sheffield (England).

M. Ernesto BELLONI (Italy), Member of the Italian Parliament, Manufacturer; Via San Vittore, 18, Milan (Italy).

H.E. M. Francisco de A. CAMBO (Spain), Chairman of the Board of Directors of the Compania Hispano Americana de Electricidad; 30, Via Layetana, Barcelona (Spain).

H.E. M. Affonso DA COSTA (Portugal), former Prime Minister, former Minister of Finance, late Professor of Economics; Hôtel Vernet, rue Vernet, Paris.

Sir Atul Chandra CHATTERJEE (India), High Commissioner for India in London; 42, Grosvenor Gardens, London, S.W.1.

Replaced at the Second Session by

Mr. H. A. F. LINDSAY, Indian Trade Commissioner; 42, Grosvenor Gardens, London, S.W.1.

M. Léopold DUBOIS (Switzerland), Member of the Financial Committee of the League of Nations; President of the Société de Banque Suisse, Bâle (Switzerland).

M. W. EGGERT (Germany), Member of the Committee of the Confederation of German Trade Unions; Inselstrasse, 6, Berlin, S. 14 (Germany).

Mme. Emmi FREUNDLICH (Austria), Member of the Austrian Parliament, President of the International Co-operative Women's Committee; Ebendorferstrasse, 7, Vienna, I. (Austria).

Dr. Arthur Witter GILBERT (United States), Commissioner of Agriculture of Massachusetts; State House, Boston, Mass. (U.S.A.).

M. Hipolit GLIWIC (Poland), Former Minister of Industry and Commerce; Lekarska, 19, Warsaw (Poland).

Dr. F. HODAČ (Czechoslovakia), Secretary-General of the Czechoslovak Manufacturers' National Association; Masarykovo n., 4, Prague, 1 (Czechoslovakia).

M. Léon JOUHAUX (France), Secretary-General of the Confédération générale du Travail de France; 211, rue Lafayette, Paris.

M. A. G. KRÖLLER (Netherland), Member of the Economic Committee in the Ministry of Foreign Affairs; Lange Voorhout, 3, The Hague (Netherlands).

M. Clemens LAMMERS (Germany), Member of the Reichstag; Neue Grolmannstrasse, 5/6, Berlin-Charlottenburg (Germany).

Mr. W. T. LAYTON (Great Britain), Editor of the *Economist*; 32, Arthur Road, Wimbledon, London, S.W.

¹ For the list of members present at the first session of the Committee, see page 199.

M. Bogdan MARKOVITCH (Kingdom of the Serbs, Croats and Slovenes), Director-General of the Agricultural Credit Institution of the Kingdom of the Serbs, Croats and Slovenes; Ouprava Fondova, *Belgrade*, Knezev Spomenik (Kingdom of the Serbs, Croats and Slovenes).

M. Kengo MORI (Japan), Japanese Government Financial Agent in London; 7, Bishopsgate, *London*, E.C.2.

Replaced at the Second Session by

M. Matsuzo NAGAI, Japanese Minister in Sweden; *Stockholm*.

M. Anders ÖRNE (Sweden), Postmaster-General, Member of the Executive Committee of the International Co-operative Alliance; Borgsgatan, 16 B, 5 tr.; *Stockholm II* (Sweden).

M. Jan OUDEGEEST (Netherlands), Secretary-General of the International Federation of Trade Unions; Tesselschadstraat, 31, *Amsterdam* (Netherlands).

M. Henri PAUWELS (Belgium), Assistant Secretary of the International Federation of Christian Unions, Secretary-General of the Belgian Federation of Christian Unions; 13, Avenue de la Renaissance, *Brussels* (Belgium).

M. Henri de PEYERIMHOFF DE FONTENELLE (France), President of the Committee of French Mine-owners; 16, rue Séguier, *Paris*.

Dr. Alberto PIRELLI (Italy), Member of the Economic Committee of the League of Nations; Via Carlini, 1, *Milan* (Italy).

Replaced at the Second Session by

M. DI NOLA, Director-General at the Ministry of Commerce, *Rome*.

Mr. A. PUGH (British Empire), President of the General Council of the Trades Union Congress; 32, Eccleston Square, *London*, W.C. 1

H.E. M. Armando QUEZADA (Chile), Chilean Minister in Paris; 23, avenue du Bois-de-Boulogne, *Paris*.

M. Felix SALAZAR (Colombia), Director of the Bank of the Republic; *Bogota* (Colombia).

Replaced at the Second Session by

M. Esteban JARAMILLO, *Bogota* (Colombia).

M. Naotake SATO (Japan), Japanese Minister in Poland, a. b. s. du Bureau japonais auprès de la Société des Nations; 24, rue Greuze, *Paris* (XVI^e).

M. D. SERRUYS (France), Director of the Commercial Agreements Department in the Ministry of Commerce; 101, rue de Grenelle, *Paris*.

Dr. Adam SHORTT, C.M.G., LL.D., F.R.S.C. (Canada), latterly Commissioner of the Civil Service of Canada, formerly Professor of Economics, Queen's University, Chairman of Board of Historical Documents (Economic and Political); Board of Historical Publications, 5, Marlborough Avenue, *Ottawa* (Canada).

Sir Hubert LLEWELLYN SMITH G.C.B. (Great Britain), Member of the Economic Committee of the League of Nations, Economic Adviser to the British Government; 5, The Grove, Highgate, *London*, N. 6.

H.E. M. DE STEFANI (Italy), Professor of Economics at the University of Rome, Member of the Italian Parliament; Via degli Astalli, *Rome* (Italy).

Replaced at the Second Session by

M. GUARNERI, Director-General of the Association of Italian Joint-Stock Companies; Via Cesare Battisti, 121, *Rome*.

Dr. Ernst TRENDELENBURG (Germany), Under-Secretary of State at the Ministry of National Economy; 34, Viktoriastrasse, *Berlin W. 9* (Germany).

Professor Alyn YOUNG (United States), Professor of Economics at Harvard University; Department of Economics, *Cambridge*, Mass. (U.S.A.).

Replaced at the Second Session by

Mr. W. T. PAGE, formerly Professor of Economics at the University of Virginia, late Chairman of the United States Tariff Commission, Director of the Institute of Economics in Washington; 26, Jackson Place, *Washington*, D.C. (U.S.A.)

* * *

Also assisted at the meetings of the Sub-Committee on Agricultural Questions:

Dr. A. HERMES (Germany), Former Minister of the Reich; Königin Luisenstrasse, 17, *Berlin-Dahlem* (Germany).

M. Jules GAUTIER (France), Counsellor of State, Former President of the Confédération des Associations agricoles; 6, rue Oudinot, *Paris* (VII^e).

REPORT BY M. STRESEMANN AND RESOLUTION

adopted by the Council on December 9th, 1926.

The Committee lays before you to-day its final proposals regarding the composition, programme and date of the International Economic Conference, which the 1925 Assembly decided to convene.

Its President, M. Theunis, is here to give you any explanations on the subject which you may think necessary.

The Preparatory Committee's report is simple and concise. There is no need for me to comment on it at length.

In dealing with the work entrusted to it by the Council in December 1925, the Preparatory Committee felt that it should proceed methodically and with caution by dividing its work into two main stages.

The first, the results of which are set forth in the report on the first session, was a kind of reconnaissance of the field of operations. A preliminary draft programme comprising a large number of questions was outlined, and extensive documentary information has been collected on that basis.

With this information in hand, the Committee proceeded with the second part of its work, which consisted in singling out the essential questions in order to define as accurately as possible the ground to be covered by the Conference in its discussions. The result of this final revision is set forth in the report which the Committee is submitting to us to-day, accompanied by a programme which, whilst allowing for general discussion of the existing economic situation, tends to direct the Conference's attention to a thorough examination of a certain number of questions which would appear to be suitable for solution on international lines.

The division of the programme into general questions, commerce, industry and agriculture meets this twofold requirement, which is again reflected in the subdivisions of each of the four main categories.

In order fully to appreciate the significance of this very concise programme, reference should be made to the documentary information which will accompany it.

The documents in question are objective in character. They aim at giving a brief analysis of the actual conditions which are at the root of the problems referred to in the programme.

These documents, as they will be submitted to the Conference after a final revision, will form a remarkable body of information, both in volume and also in the variety and accuracy of the data. It is perhaps the first time that so large a group of qualified experts connected with the most varied branches of economic activity and belonging to many different countries have worked in common, and they have furnished the Conference with a sound basis of discussion, and with an almost complete picture of the existing economic position.

As regards the composition of the Conference, the Committee, following the precedent of the Brussels Conference, recommends that members be appointed by Governments on the strength of their personal qualifications, it being understood that they are to be independent and should not be the spokesmen of an official policy. The maximum number of members per country is fixed at five. Their expenses are to be defrayed by the Governments.

It would be desirable to recommend countries to select these members in such a way as to ensure, in the Conference as a whole, a fair balance of expert knowledge of various kinds and of the different interests involved.

You will doubtless agree to the Preparatory Committee's suggestion that invitations should be sent both to States Members of the League and to non-Member States which play an important part in the economic life of the world.

Finally, I think it would be desirable that the Council should reserve the right to issue a limited number of supplementary invitations at some later date. It can take such action when it has been able to judge, from the replies of the Governments, whether the composition of the Conference is as evenly balanced as it considers necessary.

It does not seem that any useful purpose would be served by mentioning the other detailed measures recommended by the Committee. The latter's report is very clear on this point, and the Council need only make it operative by giving its general approval.

Before proposing a resolution, I desire on your behalf to thank all the members of the Preparatory Committee, as well as the administrative bodies, organisations and individuals who have co-operated with it, and especially to tender an expression of heartfelt thanks to M. Theunis, an ideal Chairman, possessing the rare virtue of combining constant good temper with invariable firmness, who has contributed very greatly towards carrying this extensive preparatory work to a successful conclusion.

The Council cannot better express its appreciation of the extremely valuable work of M. Theunis than by asking him to accept the Presidency of the Conference itself.

The text of the resolution, which I have the honour to propose, is as follows :

“ The Council,

“ Takes note of M. Theunis' report on the work of the second and last session of the Preparatory Committee for the Economic Conference ;

“ Tenders its thanks to the Chairman, M. Theunis, and to the members of the Preparatory Committee, to the International Labour Office, to the International Institute of Agriculture, to the International Chamber of Commerce, and to the other organisations and individuals who have assisted in the work of preparing for the Economic Conference ;

“ Approves the Preparatory Committee's proposals, in particular those regarding the composition, rules of procedure, programme and date of the future Conference ;

“ Decides to convene the International Economic Conference to meet at Geneva, the seat of the League of Nations, on May 4th, 1927, and accordingly to issue invitations, on the conditions laid down in the Committee's report, to all the States Members of the League Nations, as well as to the United States of America, the Union of Socialist Soviet Republics, Turkey, Mexico, Ecuador and Egypt ;

“ Reserves the right to issue, if need be, at its next session, a limited number of supplementary invitations ;

“ Instructs the Secretary-General to take such action as may be necessary to carry this resolution into effect. ”

Annex V.

LIST OF PREPARATORY DOCUMENTS SUBMITTED TO THE CONFERENCE, ARRANGED IN THE ORDER OF THE PROGRAMME

Further details of the contents of these documents will be found in

C.E.I. 40. — Guide to the Preparatory Documents of the Conference.

I. ECONOMIC SITUATION OF THE WORLD.

(a) Finance, Industrial and Agricultural Production and Exchanges.

C.E.I. 2. — Memorandum on Balance of Payments and Foreign Trade Balances, 1911-25. (2 vols., 239 pages.) (Publication of the Economic and Financial Section.)	25/-	\$6.25
C.E.I. 1. — Memorandum on Currency and Central Banks. (2 vols., 214 pages.) (Publication of the Economic and Financial Section.)	12/-	\$3.00
C.E.I. 34. — Memorandum on Public Finance. (Publication of the Economic and Financial Section.)		(in preparation)
C.E.I. 3. — Memorandum on Production and Trade. (47 pages.) (Publication of the Economic and Financial Section.)	1/6	\$0.40
C.E.I. 19. — Summary Memorandum on Various Industries. (40 pages.) (Publication of the Economic and Financial Section.)	1/6	\$0.40
C.E.I. 29. — Principal Features and Problems of the World Economic Position from the Point of View of the Different Countries. (Five series, 181 pages.) (First part of the Programme of the Conference.)	each 1/3	\$0.30
C.E.I. 5 (1). — Final Reports of the Trade Barriers Committee of the International Chamber of Commerce. (40 pages.)	1/3	\$0.30
C.E.I. 36. — Agricultural Problems in Their International Aspect. (International Institute of Agriculture.)	16/-	\$4.00
C.E.I. 41. — Memorandum on the Economic Work of the League of Nations. (Economic and Financial Section and Transit and Communications Section.)	1/6	\$0.40
C.E.C.P. 24 (1). — Methods of Economic Rapprochement. (36 pages.) By E. GROSSMANN, Professor of Political Economy at Zurich University.	1/6	\$0.40
Monthly Bulletin of Statistics. (Periodical publication of the Economic and Financial Section.) Annual subscription.	18/-	\$4.50
The International Statistical Yearbook. A reference handbook appearing annually.	7/6	\$2.00
C.E.I. 39. — Population and Natural Resources. Gives a list of the main sources of raw material and a table showing density of population in relation to cultivated areas.	2/6	\$0.60
(b) Population and Labour.		
C.E.C.P. 59 (1). — Estimates of the Working Population of Certain Countries in 1931 and 1941. (19 pages.) By Professor A. L. BOWLEY, Sc.D., F.B.A.	1/-	\$0.25
C.E.I. 4 (1). — Natural Movement of Populations during the First Quarter of the Twentieth Century. (7 pages.) (Health Section.)	6d.	\$0.15
C.E.I. 25. — Migration in its Various Forms. (28 pages.) (International Labour Office.)	9d.	\$0.20
C.E.I. 12. — Reports on Legislation concerning the Movement of Labour and Migration in General. (38 pages.) (International Labour Office.)	1/6	\$0.40
C.E.I. 26. — Standard of Living of the Workers in Various Countries. (International Labour Office.)	2/-	\$0.50

2. TRADE.

- C.E.C.P. 24 (1). — Methods of Economic Rapprochement.**
By E. GROSSMANN, Professor of Political Economy at Zurich University. 1/6 \$0.40
- C.E.I. 37. — Tariff Level Indices.**
(38 pages.) (Economic and Financial Section.) 1/6 \$0.40
- C.E.I. 31. — Commercial Treaties: Tariff Systems and Contractual Methods.**
By D. SERRUYS, Member of the Economic Committee of the League of Nations and Director-General of the Ministry of Commerce (France). (15 pages.) 6d. \$0.15
- C.E.C.P. 71 (1). — Stability of Customs Tariffs.**
By J. BRUNET, President of the International Bureau for the Publication of Customs Tariffs (Brussels), Member of the Economic Committee of the League of Nations. (11 pages.) 6d. \$0.10
- C.E.I. 32. — Customs Nomenclature and Classification.**
Transmitted by Dr. E. TRENDELENBURG Member of the Preparatory Committee for the International Economic Conference. 3/- \$0.75
- C.E.C.P. 96. — Memorandum on Discriminatory Tariff Classifications.**
By W. T. PAGE, Member of the Preparatory Committee for the International Economic Conference. (11 pages.) 6d. \$0.10
- C.E.C.P. 97. — Memorandum on European Bargaining Tariffs.**
By W. T. PAGE, Member of the Preparatory Committee for the International Economic Conference. (14 pages.) 6d. \$0.15
- C.E.C.P. 36 (1). — Memorandum on Dumping.**
By Jacob C. VINER, Professor of Political Economy at Chicago University. (19 pages.) 1/6 \$0.40
- C.E.I. 7. — Memorandum on the Legislation of Different States for the Prevention of Dumping, with Special Reference to Exchange Dumping.**
Transmitted by Dr. E. TRENDELENBURG. (33 pages.) 1/3 \$0.30
- C.E.I. 23. — Export Duties.**
(52 pages.) (Economic and Financial Section.) 2/- \$0.50
I. Introduction by M. GLIWIC.
II. Lists of Export Duties.
- C.E.I. 20. — Marks of Origin.** 2/- \$0.50
Part I. Obligation to affix a Mark of Origin on Goods. (Note drawn up by the Secretariat of the League of Nations.)
Part II. Observations on Marks of Origin and the Various Laws relating thereto. Communication by Dr. E. TRENDELENBURG, Member of the Preparatory Committee for the Conference (with Annexes). (59 pages.) (Economic and Financial Section.)
- C.E.I. 22. — Abolition of Import and Export Prohibitions and Restriction.**
Commentary and Preliminary Draft International Agreement drawn up by the Economic Committee of the League of Nations to serve as a Basis for an International Diplomatic Conference. (33 pages.) (Economic and Financial Section.) 1/3 \$0.30
- C.E.I. 42. — (1) Note on Certain Forms of Direct and Indirect Subsidies.**
(2) Note on Differential Taxes on Circulation, Consumption or Handling of Foreign Imported Goods.
(3) Note on Regulation of Qualities of Imports and Exports Admitted. (Economic and Financial Section.) 1/3 \$0.30
- C.E.I. 28. — (1) Experience gained from the Fixing of Export Prices during the Inflation Period in Germany.**
Transmitted by Dr. E. TRENDELENBURG. (6 pages.)
(2) Dependence of Trade on Control of Foreign Exchange.
Note by the Economic and Financial Section. (7 pages.)
(3) Methods of Assessment for the Application of ad valorem Duties.
Note by the Economic and Financial Section. (12 pages.)
(4) Variations in Tariffs in accordance with the Origin of Goods, the Place whence they come, their Destination, or the Frontiers or Places through which Importation or Exportation takes place.
Note by the Economic and Financial Section. (6 pages.)

	(5) Consular Charges. Note by the Economic and Financial Section. (7 pages.)	1/6	\$0.40
C.E.I. 33. —	(1) Immunities of Commercial or Transport Undertakings controlled by the State from Charges and Obligations to which Similar Private Undertakings are subject. Note by the Economic and Financial Section. (10 pages.)		
	(2) Memorandum on Railway Tariffs and Tolls as an Economic Factor. By M. COLSON, Member of the Institute of France, Vice-President of the "Conseil d'Etat". (6 pages.)		
	(3) National and Flag Discrimination with regard to Communications and Transit. Note by the Communications and Transit Section. (6 pages.)		
	(4) Difficulties resulting for International Trade from Unfair Commercial Practices, and particularly from Practices not covered by the Convention for the Protection of Industrial Property. Note by the Economic and Financial Section. (9 pages.)	1/3	\$0.30

3. INDUSTRY.

(a) *Various Industries.*

C.E.I. 19. —	Summary Memorandum on Various Industries. Publication of the Economic and Financial Section. (40 pages.)	1/6	\$0.40
C.E.I. 18. —	Memorandum on Coal. Economic and Financial Section. (2 vols.)		
	<i>Volume I</i> (75 pages).	2/6	\$0.60
	<i>Volume II</i> (56 pages).	2/-	\$0.50
C.E.I. 17. —	Memorandum on the Iron and Steel Industry. (Economic and Financial Section.) (113 pages.)	4/-	\$1.00
C.E.I. 9. —	Memorandum on Cotton. (Economic and Financial Section.) (78 pages.)	3/-	\$0.75
C.E.I. 8. —	Shipbuilding. (Economic and Financial Section.) (48 pages.)	1/6	\$0.40
C.E.I. 10. —	Chemical Industry. (134 pages.)	4/-	\$1.00
C.E.I. 21. —	Potash Industry. (27 pages.)	1/-	\$0.25
C.E.I. 16. —	Electrical Industry. (121 pages.)	4/-	\$1.00
C.E.I. 15. —	Mechanical Engineering (2 vols.)		
	<i>Volume I</i> (193 pages).	6/-	\$1.50
	<i>Volume II</i> (92 pages).	3/-	\$0.75
C.E.I. 24. —	Natural Silk Industry. (34 pages.)	1/3	\$0.30
C.E.I. 30. —	The Artificial-Silk Industry. (51 pages.)	2/-	\$0.50

(b) *Scientific Management and Industrial Agreements.*

C.E.I. 13. —	Scientific Management in Europe. (15 pages.) (International Labour Office.)	6d.	\$0.15
C.E.C.P. 20 (1). —	Memorandum on Rationalisation in the United States. By the Honourable David HOUSTON. (9 pages.)	1/-	\$0.25
C.E.I. 38. —	Recruitment and Training of Skilled Workers and Technical Staff in Great Britain and Germany. From information supplied by Sir Arthur BALFOUR and M. C. LAMMERS. (9 pages.)	6d.	\$0.10
C.E.C.P. 24 (1). —	Methods of Economic Rapprochement. By Eugène GROSSMANN Professor of Political Economy at Zurich University. (36 pages.)	1/6	\$0.40
C.E.I. 35. —	Summary of National Legislation with reference to Cartels and Combines. Drawn up by M. C. LAMMERS (Member of the Preparatory Committee of the International Economic Conference).	1/6	\$0.40

- C.E.C.P. 57 (1). — Cartels and Combines.**
By Dr. Kurt WIEDENFELD, Professor of Economics at the University of Leipzig. (36 pages.) 1/3 \$0.30
- C.E.C.P. 93.— International Cartels.**
By D. H. MACGREGOR, Professor of Political Economy, Oxford University. (7 pages.) 6d. \$0.10
- C.E.C.P. 94.— The Social Effects of International Industrial Agreements. The Protection of Workers and Consumers.**
By William OUALID, Professor of Political Economy in the Faculty of Law of the University of Paris. (35 pages.) 1/6 \$0.40
- C.E.C.P. 95.— Cartels and Trusts and Their Development.**
By M. Paul DE ROUSIERS, Professor at the Ecole des Sciences politiques, Paris. (24 pages.) 1/3 \$0.30
- C.E.C.P. 98.— Recent Monopolistic Tendencies in Industry and Trade : Being an Analysis of the Nature and Causes of the Poverty of Nations.**
By Gustave CASSEL, Professor of Political Economy at the University of Stockholm. (48 pages.) 1/6 \$0.40
- C.E.C.P. 99. — National and International Monopolies from the Point of View of Workers, Consumers and Rationalisation.**
By Professor Julius HIRSCH. (Berlin.) (in preparation)

4. AGRICULTURE.

- C.E.I. 36. — Agricultural Problems in Their International Aspect.**
(International Institute of Agriculture.) 16/- \$4.00
- C.E.I. 43. — Agriculture and the International Economic Crisis.**
By M. Jules GAUTIER, Dr. Andreas HERMES and Mr. H. A. F. LINDSAY, Members of the Sub-Committee on Agricultural Questions of the Preparatory Committee for the International Economic Conference. (25 pages.) 1/- \$0.25
- C.E.I. 27. — The Relation of Labour Cost to Total Costs of Production in Agriculture.**
(International Labour Office.) (66 pages.) 2/6 \$0.60
- C.E.I. 14. — The Part played by Co-operative Organisations in the International Trade in Wheat, Dairy Produce, and some other Agricultural Products.**
(International Labour Office.) (46 pages.) 1/6 \$0.40
- C.E.I. 11. — Results of Certain of the Enquiries for Instituting a Comparison between the Retail Prices in Private Trade and those of Distributive Co-operative Societies.**
(International Labour Office.) (31 pages.) 1/3 \$0.30

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- C.E.I. 40 (1). — Guide to the Preparatory Documents of the Conference.**
(Economic and Financial Section.) (43 pages.)

Annex VI.

**LIST OF SELECTED DOCUMENTS (FROM THE SERIES S. C. E.)
SUBMITTED BY MEMBERS IN THE COURSE OF THE CONFERENCE
EITHER IN SUPPORT OF THEIR RESOLUTIONS OR IN AMPLIFICATION
OF THEIR SPEECHES IN THE CONFERENCE OR IN COMMITTEE.**

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1.

MEMORANDUM ON ECONOMIC TENDENCIES CAPABLE OF AFFECTING THE PEACE OF THE WORLD.

Adopted by the General Council of British Trades Union Congress, the National Executive Committee of the Labour Party, and the Executive Committee of the Parliamentary Labour Party.

Submitted by Mr. A. PUGH.

I. Introduction.

The title of this memorandum is an item on the agenda of the League of Nations International Economic Conference, 1927, and our object is both to draw attention to certain economic tendencies which appear to us to merit special consideration, and to make suggestions for constructive action under the auspices of the League. The memorandum does not profess to be exhaustive nor to assess the relative importance of the various tendencies which create ill-will and hostility; nor does it deal with problems of currency, which have already been the subject of consideration by International Conferences at Genoa and elsewhere.

In recent years, economic problems have become more complex because of international developments, and a new situation is being created. When economic units fell for the most part within the frontiers of single States, the State was able to exercise a certain degree of supervision and regulation, and in most industrial and commercial countries there is a considerable body of law governing certain aspects of economic life. But many economic bodies have become cosmopolitan, owe allegiance to no single State, and are outside effective supervision or regulation by a single State; while others, though coming within the jurisdiction of a single State, exert a powerful influence far beyond the frontiers of that State, and their operations create far-reaching and profound reactions throughout the world. While these developments are not necessarily opposed to the public well-being, it cannot be maintained that the internationalisation of industry, commerce and finance present no serious dangers, more especially in view of the increasing exploitation of the resources of undeveloped countries.

International combinations, the monopoly of certain important products, the private trade in armaments, the floating of loans for anti-social purposes, the evils arising from certain types of concession, the investment of capital in undeveloped but populous countries to exploit the relatively inexhaustible supply of cheap and unorganised labour — these and other developments which have in the past created friction and hostility are disturbing factors in a world which has everything to gain from peaceful and harmonious progress.

Broadly speaking, the economic growth of the world has outstripped the growth of political and social institutions, and unless economic activities and rivalries are controlled in the interests of the peoples of the world, stable peace will be impossible.

We are convinced that the rapid developments of recent years call for close and continuous examination by an international authority, and in the interests of the world demand international action, if the economic causes of ill-will and hostility in the world are to be prevented or allayed. Moreover, we believe that it is essential to peace to enlarge the field of co-operative effort by the nations

in the task of solving the common economic problems. The more the attention of States and their peoples is directed towards the constructive tasks which lie before them in developing, utilising and apportioning natural resources for the welfare of the world's population, in extending intercourse and trade, and in promoting closer cultural relations, in ridding the world of such social evils as disease, the less will be the chance of misunderstanding and hostility. It is as important to extend the matters of common interest amongst nations as to minimise the causes of conflict.

We therefore make proposals for the establishment of a permanent international economic organisation, under the League of Nations, which would co-operate with other sections of the League, and would ultimately embrace wider activities than those outlined here.

II. Proposals.

International Trading Organisations. — The modern growth and ramifications of international trusts and monopolies in their varied forms present a complex and increasingly important problem. These organisations vitally affect the economics of the world and endanger its peace. It is therefore proposed that, without in any way discouraging or limiting national enquiries and activities, the League of Nations, through the machinery outlined later, should be empowered to undertake the following duties, which fall under three main heads: the collection of information and the study of economic problems, the rectification of grievances, and international regulation and legislation.

1. (a) The League should collect full information and publish regular reports on the more significant activities and results of international trusts, monopolies, cartels, rings and kindred organisations, and should continuously survey the position with a view to safeguarding the interests of consumers and producers throughout the countries of the world.

(b) The League should make world economic surveys from time to time on such matters, for example, as the sources and distribution of essential foodstuffs and raw materials, and changes in production and consumption. The League should also study and report on the development of co-operative and bulk marketing of essential foodstuffs and raw materials, and allied questions.

2. (a) The League should make representations to national Governments and to trading organisations where grievances arise. Usually the country of the organisation concerned would be approached, but in the case of an internationally controlled body several Governments would be involved. It would be desirable from time to time to convene conferences of certain international economic interests, consumers' organisations and

Governments for the consideration of special problems.

(b) Governments which consider themselves or their citizens unfairly treated by international trade organisations should have the right of appeal to the League for special investigation and report.

(c) In cases where international trade organisations or Governments agree to ask for arbitration on matters of difference, the League should provide a suitable tribunal.

3. (a) The League should examine questions of policy, with a view to formulating and urging the ratification of International Conventions and Recommendations analogous to those of the International Labour Organisation. The questions covered should include, for example, the regulation of trusts, cartels, rings, etc., whether confined to one country or extending to several, or concerning overseas transport; large-scale marketing; the stabilisation of prices; and matters referred to elsewhere in this memorandum.

(b) In view of the growing importance of State trading, a development which we welcome, it is desirable that the League should seek to establish an international code governing the relations between a State enterprise and individuals outside the jurisdiction of the State concerned. The League should also provide a tribunal to which a Government or its citizens may appeal in case of disagreement arising from trading with a foreign Government, and where legal remedy is not already available.

Exploitation of Economically Backward Areas. — Perhaps the most fruitful economic cause of war lies in the rivalry and friction arising from the exploitation of economically backward areas, both non-self-governing and nominally self-governing. The two types require different treatment.

1. All mandated and other comparable territories, whatever be the precise form of jurisdiction at present exercised therein, should adopt the open-door policy and should have freedom of trade for all countries, on the lines indicated in the most generous mandates of the League and under the same general conditions of report and enforcement by the League.

2. A Government which considers itself or its citizens unfairly treated, (a) by reason of special rights within its territory exercised by a foreign Government or by foreign nationals, or (b) by reason of the terms or non-fulfilment, or consequences of an international loan, contract or concession, and can show that such treatment has or is likely to have consequences sufficiently important to constitute an appreciable source of international friction, should have the right of appeal to the League for special investigation and report. Where some form of external supervision is still considered necessary, it should be undertaken by the League.

3. All international loans, contracts and concessions relating to armaments should be registered with, and full particulars published by, the League, and should become effective only with the sanction of the League. Such sanction should be granted only if the League is satisfied that the provisions of any Disarmament Treaty in force for the time being are observed.

4. In view of the grave dangers arising from the claims by Governments, (a) to intervene on behalf of their nationals in the competition for concessions in other countries, and (b) to use armed force in defence of the property of their nationals

in other countries, an immediate special conference of the League should be held to consider how these dangers to world peace may be removed. The problem is complex, but its complexity is not greater than its gravity.

Tariffs and Other Trade Barriers. — The League should consider making representations to Governments and establishing international conventions on the following general lines¹: the extension of the most-favoured-nation policy to all countries; an agreed progressive reduction of protective Customs barriers, with an extending list of untaxed commodities; the removal of special barriers designed to meet special post-war conditions; and agreement and standardisation on such matters as the nomenclature of international commerce, patent laws, validity of contracts, trade marks, literary and artistic property, etc.

Permanent League Economic Organisation. — If the world economic problems causing international friction are to be solved, continuous consideration and appropriate action are necessary. It is therefore proposed that the Economic Section of the League of Nations should be developed on lines broadly analogous to those of the International Labour Organisation. An Economic Council, representative of States, producers (including employers and workers) and consumers should be established. It should consider the surveys and reports made from time to time by the Economic Secretariat. It should formulate policy in international economic conventions or by means of recommendations. It should, of course, work in close co-operation with the International Labour Organisation and other organs of the League.

International Labour Conditions. — The existence of low labour standards has been a frequent reason for the exploitation of territories by foreign interests. Not only has this led to international rivalry in exploitation but it has threatened wage standards in other countries, and this has produced unrest and further friction. Action should therefore be taken on the following lines by the International Labour Organisation:

1. The International Labour Organisation should regularly collect information and report on labour conditions where these are below the general level laid down by the various International Labour Conventions and Recommendations and below comparable level in respect of other conditions not covered by Conventions or Recommendations.

2. The International Labour Organisation should extend the range of standard minimum conditions of labour by further International Labour Conventions, and should take steps to secure the worldwide application of such minimum conditions.

3. The International Labour Organisation, acting in conjunction with the Economic Council of the League, should be empowered to recommend the prohibition of international trade in goods produced under labour conditions below the minimum standards laid down, and to make any necessary representations to Governments and to trade organisations. The power to recommend prohibition should be obtained by means of an International Convention in which the Governments agree to enforce a boycott of goods produced under conditions less favourable than those laid down in International Labour Conventions.

¹ See also later proposals on International Labour Conditions.

2.

DECLARATION MADE TO THE INTERNATIONAL ECONOMIC CONFERENCE BY THE FOLLOWING MEMBERS: MM. DIAMAND (Poland); EGGERT (Germany); Mme. E. FREUNDLICH (Austria); MM. JOHANSSON (Sweden); JOUHAUX (France); MERTENS (Belgium); NIELSEN (Denmark); OUDEGEEST (Netherlands); PUGH (Great Britain); TAYERLE (Czechoslovakia); WEBER (Switzerland).

The representatives of the workers' organisations welcome the meeting of the International Economic Conference as expressing recognition that the growing transformation of national into world economy is forcing all peoples towards international economic co-operation. The complete development of production in industry and agriculture, which the working-class regards as the basis of a better order of society; the elimination of the acute social abuses which find their expression in the mass unemployment common to all European countries; the prevention of new wars; all these call imperatively for the creation of an inter-State world economic order. Economic restoration in all countries depends upon securing both a just distribution of the total production of the community, and an increase of wages and salaries and the development of social institutions, which, by raising the standard of living of the working masses, will increase their purchasing power. Such organisation of distribution and production is essential to prevent the increase of production from leading to acute marketing crises which would paralyse industry.

The representatives of the workers' organisations fear that private interests in all countries are putting serious hindrances in the way of the practical accomplishment of true co-operation between nations. Accordingly, they call upon the working-class to strive everywhere for the realisation in practice of the recognition of world economic solidarity. An effort must be made to prevent a policy of economic selfishness which would lead to costly economic struggles.

The representatives of the workers regret that among the delegates to the Economic Conference their representatives have not received the number of seats due to the working-class, to its share in economic life and to its conviction of the necessity of international solidarity. Nevertheless, they will do all they can to assist in the solution of the problems before the Conference, and will assume their responsibility as the champions of a future world economic order. They will not be content merely with speeches on the problems of world economy, but will insist on practical work for the development of world economic co-operation.

There are four points which should receive special consideration:

- (1) The removal of international trade barriers;
- (2) The improvement and social equalisation of labour conditions in all countries;
- (3) The supervision of monopolistic industrial ententes with a view to protecting workers and consumers;
- (4) The increase of agricultural production and the improved organisation of its markets.

1.

The rational development of the division of labour as between countries is hampered by excessive barriers to the free circulation of goods. Import and export prohibitions should be abolished

by international conventions. Immunity from Customs duties should be claimed for all the raw materials of industry and agriculture, and also for food products. Duties on manufactured goods should be reduced; in particular, the demolition of Customs barriers within Europe should be considered as an essential preliminary to the recovery of the economic life of Europe. The first steps in this direction will be: the compilation of a uniform Customs tariffs scheme, and agreements for the unification and mitigation of administrative regulations affecting the traffic in goods. Uniform principles for the general clauses of commercial treaties should be established. The principle of the most-favoured-nation clause should be maintained, but its application should not be nullified by over specialised tariffs or other measures. The formation of Customs unions may serve as a preparatory stage towards the gradual abolition of Customs barriers, but the organisation of an international collective economy implies their supersession by a comprehensive organisation founded on economic solidarity, just as separate political treaties between peoples will have to give place to the comprehensive organisation of the League of Nations. A policy of dumping should be condemned.

2.

The representatives of the workers regret that they are unable, at this moment, to enter into details in regard to the problem of the exploitation of undeveloped areas and the labour conditions in such areas; for example, in mandated areas or territories administered as colonies, either under the form of occupation or of concessions; but they draw attention to the Memorandum submitted by the British Labour Movement to the Economic Conference, "Draft Memorandum on Economic Tendencies capable of affecting the Peace of the World", which contains a section dealing with this question.

3.

The tendency to close markets to meet competition arising from the existence of low labour standards must be made unnecessary by the improvement and equalisation of labour conditions. International conventions concerning working hours, the protection of workers, and unemployment insurance, etc., are for this reason indispensable, not merely from the point of view of social policy but also on urgent economic grounds. Hence it is imperative that there should be ratification and strict application of the Washington Convention on the eight-hour day and of other Conventions drafted by the International Labour Organisation.

4.

International industrial ententes for the purpose of dominating the market and regulating production may in many cases be used to build up a more rational economic structure, and accordingly must not be checked by prohibitions. The representatives

of the workers point out, however, the grave dangers to workers and consumers arising from international combinations of capitalist enterprises, and emphatically demand the protection of the community against such dangers. They therefore recommend the establishment of an international office, whose duty it would be to make a general enquiry into all such international associations and exert permanent supervision over all international agreements and their reaction on production and trade. Similar supervisory offices should also be set up in the separate States. The first business of these offices would be to give sufficient publicity with regard both to all agreements arrived at and to the policy of such associations. The second task would be to restrain any policy recognised as injurious to the community in the sphere of price-fixing and in that of unequal treatment on various markets.

The problem of *rationalisation* is related to the question of the international organisation of industry: for international industrial ententes frequently aim not only at commercial but also at technical improvements. The working-class is not, in principle, opposed to rationalisation; but it can only approve it, as it can only approve the advance of organisation in industry, under definite conditions: the worker must be protected against increased physical and mental exhaustion by a reduction of working hours. The advantages of rationalisation should benefit the workers and consumers through higher wages and lower prices, and the unemployment arising from rationalisation must be combated.

5.

The position of agriculture is increasingly claiming the attention of the workers. The development of the productivity of agriculture improves the standard of living of the agricultural workers, and at the same time makes it possible to ensure and increase the real wages of industrial workers. At the same time, it assists the marketing of industrial products and therefore helps to overcome industrial depression. Agricultural productivity may be increased by the following means: advances in technique and in the machinery of credit, improvement in the marketing of agricultural products, especially by collaboration between agricultural and consumers' co-operative organisations, and by the extension of the division of labour as between countries.

The world economic tasks, which have led to the calling of the Geneva Conference, cannot be settled at this first opportunity of contact. For the application of the decisions of the Economic Conference, for the continuation of its labours, and at the same time for the development of international economic statistics and for the observation of crises, an International Economic Office should be set up. On the Governing Council of this Office should sit, in addition to the representatives of States, representatives of the industrial and agricultural producers (employers and workers in equal numbers) and representatives of consumers. Collaboration with the International Labour Office should be ensured by mutual representation.

3.

STATEMENT BY THE REPRESENTATIVES OF THE CHRISTIAN TRADE UNIONS TAKING PART IN THE INTERNATIONAL ECONOMIC CONFERENCE.

Distributed at the request of Baron TIBBAUT (Belgium).

Economic policy should aim at fulfilling the actual needs of humanity. A really sound world economic system presupposes an organisation of all production, commerce and transport in so far as they are concerned with commodities produced for the world market.

It is with this final aim in view that production should ensure for everyone concerned in it a fair share in the world's wealth. This new and essential organisation of economic policy, which makes man the centre of economic and social life, can only be achieved by the co-operation of all nations and all economic groups, infused with the pure spirit of solidarity.

In order that such an economic system may be established throughout the world, the following points must be borne in mind:

1. *Commerce and Transport.*

The artificial obstacles placed in the way of international exchange must be removed, for they have been one of the principal causes of disturbance to economic life during the last few years.

States should conclude agreements to remove import and export prohibitions and at the same time make sure that they are not replaced by increased Customs duties. Customs duties should

gradually be abolished in all branches of trade. The most-favoured-nation clause must be generally applied in commercial treaties. In any case it is high time to put an end to tariff increases. The policy to be followed is one which applies the same treatment to foreigners and nationals and which abolishes all restrictions on international travel.

It is desirable that the right of residence and establishment should be freely granted. A stable currency and a stable exchange are, as experience teaches us, conditions essential to the economic recovery of the world and therefore to an improvement in the economic and social position of the workers.

2. *Industry.*

International agreements between undertakings in the form of cartels or otherwise may help towards the systematic organisation of economic life, provided they are subordinated to the general interests.

Hitherto agreements between industrialists in one or another country have regulated international production and exchange in a one-sided manner and without taking into account the fact that labour is a factor with equal rights in production. Moreover, these agreements, both in their aims and in their methods, may entail results which are

highly injurious to the workers and to economic life as a whole

Accordingly, the representatives of the Christian Trade Unions are convinced that international agreements between producers in one or more countries are only to be recommended if they help towards the economic recovery of the world and are subordinated to the general interests. In the interest of all, permanent international co-operation between Governments, manufacturers and workers is essential, whether this is effected by means of an international economic institution or by any other means.

As a recognition of the importance of labour in the economic system, the workers should be allowed to take their part in directing national and international cartels.

The rationalisation of labour may be useful to the economic system as a whole, but steps must be taken to prevent such rationalisation from working to the detriment of labour, particularly by increasing unemployment. Any form of rationalisation should be rejected which aims exclusively at securing the maximum yield from industry, without taking due account of the spiritual and moral values which might be endangered. When attempting such rationalisation, it is not sufficient to take into account the interests of the undertaking only; those of the man and of the worker as an individual should be considered above all.

Generally speaking, special measures should be taken to prevent unemployment. This might, in particular, be effected by carrying out public works on a large scale in times of depression. Further, unemployment insurance for workers is absolutely essential.

3. Agriculture.

The Christian Trade Unions appreciate the very important contribution made by agriculture to the general welfare in every country. The standard of living of industrial workers, employees and officials is very largely dependent on agricultural prosperity, and, accordingly, the interests of the masses require that agriculture should be encouraged by every appropriate means.

Agricultural output may be improved and prices lowered by the following methods:

(a) By moderate prices for all means of agricultural production;

(b) By adequate wages and the equitable treatment of agricultural labourers; by providing the latter with opportunities for advancement and habitations really fit to live in;

(c) By long-term credits at moderate rates of interest, by the development of statistics, by

agricultural co-operative societies, by information and education;

(d) By the development of direct relations between agricultural and consumers' co-operative societies.

Customs duties should in no case be levied on agricultural produce in such a way as to prevent healthy competition and agricultural progress. Moreover, no export duties should be levied on agricultural produce, nor should export prohibitions be imposed upon it.

It is necessary in the interests of agriculture that rents should be adjusted to prevailing economic conditions. A revision of the legislation in various countries would be desirable, with a view to protecting tenant farmers and strengthening their legal position.

4. Co-operation between Employers and Workers.

The representatives of the Christian Trade Unions, who take their stand on the economic programme drawn up in 1922 by the International Federation of Christian Trade Unions, desire to assert that, in their opinion, a sound evolution of economic life is possible only on the basis of co-operation between employers and workers. A preliminary condition of such co-operation is that the rights of workers and employees should be recognised by the other groups and that workers and employees should be allowed to take their part in directing industry.

Working conditions should be such as to afford sufficient protection to morality and self-respect, to the strength and health of the worker, to make it possible for him to develop freely his personality and to do his duty to God, his family and society. The proper regulation of working conditions would require that the Conventions drawn up by the International Labour Conferences should be put into force in all countries.

It is time (and the Christian workers are firmly convinced of this) for the leaders of industry in all countries to realise that the failure to ratify the very important international Conventions which have so far been drawn up, and the non-observance of the eight-hour day in particular, constitute serious obstacles to economic recovery.

(Signed)

H. AMELINK	(Netherlands)	Expert.
F. BALTRUSCH	(Germany)	"
J. LAMBERT	(Belgium)	"
H. PAUWELS	(Belgium)	"
L. SANKA	(Czechoslovakia)	"
J. SCHERRER	(Switzerland)	"
P.J.S. SERRARENS	(Netherlands)	"
F. SPALOWSKY	(Austria)	"

4.

MEMORANDUM REGARDING THE INTERNATIONAL REGULATION OF THE EXECUTION OF MOST-FAVOURLED-NATION CLAUSES WITH RESPECT TO CUSTOMS TREATMENT.

SUBMITTED BY THE SWEDISH MEMBERS.

Commercial treaties concluded between different countries in the course of the last few years almost all contain, from the Customs point of view, clauses regarding the mutual granting of most-favoured-nation treatment, though the application of these clauses has been limited in certain particular cases to certain classes of goods. This general application of the most-favoured-nation principle

has indubitably smoothed over to a great extent the difficulties which beset international trade, owing to the increase in Customs tariffs to which a number of countries felt obliged to have recourse usually for politico-commercial reasons.

It has been observed, however, that the favourable results of the application of the most-favoured-nation principle in Customs matters are

neutralised by the fact that the actual scope of this principle has never been clearly defined; so many restrictions are sometimes enforced in applying the most-favoured-nation clauses that it is impossible to maintain that the basic idea of the principle is being put into practice.

It is certainly in the interests of all countries that this uncertainty should be eliminated and that the tendency to weaken the most-favoured-nation principle should be combated.

This object, we think, would be better attained by an international agreement regarding the interpretation and application of the most-favoured-nation clause, in so far as this clause relates to Customs treatment. We do not propose to go at length into the details of such a Convention, but it would provide a settlement for a number of contentious and doubtful questions, more especially in the following cases:

1. The most-favoured-nation principle being at present almost universally accepted in its unconditional form, it should be possible definitely to confirm the fact that, except where expressly stated to the contrary, the most-favoured-nation clause automatically and unconditionally confers the benefits of the lowest Customs tariffs in force at the time.

Experience has, however, shown that it is necessary to have a more detailed definition of the meaning of this general rule, because it sometimes happens that the conditional form of the principle is not kept sufficiently separate from its unconditional form. The most-favoured-nation treatment is to be considered *conditional* when advantages granted to a third Power against compensation, or simply subject to the existence of certain circumstances, cannot be extended to States benefiting from this clause, unless they give a *quid pro quo* or prove similar circumstances.

Unconditional most-favoured-nation treatment, on the other hand, should involve the extension of any advantage granted to a third Power, without requiring the fulfilment of certain conditions, or the existence of certain circumstances — which implies, therefore, that the forms of or the reasons for these advantages do not play any part in applying the principle.

This rule, applied to Customs duties, means that in the case of countries which *unconditionally* enjoy the most-favoured-nation treatment there can be no question of any but a single Customs tariff for the same period and the same item in the Customs tariff.

An international agreement based on this interpretation of the most-favoured-nation clause would have as its result that no Power could apply to another country, to which the most-favoured-nation treatment had been granted, any Customs duties higher than those which were actually applied at the same period to other countries, even in cases of dumping, lower production costs, export premiums, or other favours granted by the exporting country, or for any other reason, except by making a formal reservation on the subject.

2. The right to the most-favoured-nation treatment undoubtedly confers the benefits of any favour granted to a third Power with respect to *identical* or *similar* goods. This latter expression may, however, be interpreted in various ways, and this gives rise to great inconvenience, because cases may occur of illogical or unjustifiable differentiation between goods which are actually of a similar nature, precisely with the object of evading the consequences of the most-favoured-nation clause.

In applying the most-favoured-nation clause,

it should not be impossible to reach an agreement on the principle that goods should only be considered as different in cases where there is an easily discernible difference between them with respect to their *nature*, their *composition* or their *dimensions*, or, in exceptional cases, with respect to their *use*.

In this way, it would be possible to prevent goods being treated as dissimilar in nature because of some difference based directly or indirectly on the *geographical situation* of the places of origin or source of the goods. It will suffice in this connection to quote the following examples of distinctions of this kind, which eliminate or attenuate the results that should be expected from the most-favoured-nation clause: "Goods produced in a country or coming from a country outside Europe", "wheat grown north of the Equator", "cattle which have for some time been kept at a certain height above sea-level", "Edam cheese" (when it is required that the cheese should have been made in the town of Edam or neighbourhood, but not when this expression is used to describe a certain kind of cheese, without taking into consideration the place where it was made).

It would also be impossible to evade compliance with the principle of the most-favoured-nation clause by other unfounded distinctions between similar kinds of goods, as for instance distinctions based on the production price or selling price, the places or routes of importation, measures taken by the authorities of the exporting State, or other circumstances not connected with the nature of the goods, etc. Distinctions of this kind afford a possibility of reverting in a roundabout way to the conditional form of the most-favoured-nation principle.

3. It sometimes happens that a limited reduction of Customs duties is granted in the case of certain goods, usually by granting this favour only in respect of a certain *quantity* of this merchandise. The question whether the most-favoured-nation clause generally implies the right to enjoy the benefits of limited favours of this sort has been differently decided in various countries.

It would also be advisable to reach a general agreement on the subject of the extension of the right to most-favoured-nation treatment to advantages granted in respect of certain *quantities of goods* limited by quota or otherwise.

An international agreement of the kind we have outlined above would be a natural corollary to the International Convention relating to the Simplification of Customs Formalities concluded at Geneva in 1923, and to the draft proposal for abolishing prohibitions and restrictions in connection with imports and exports, which was prepared by the Economic Committee of the League of Nations. It would have the same object as the proposals for simplifying and standardising nomenclature in Customs tariffs, which have already been discussed on several occasions.

This agreement should, moreover, contain stipulations to the effect that questions relating to the interpretation and application of this clause could be submitted to a court of arbitration. It would appear advisable to draw up these stipulations on the lines of those contained in the Convention and Draft Proposal mentioned above.

(Signed) Anders ÖRNE.
Ö. RYDBECK.
Gustav CASSEL.
V.G. LUNDVIK.
J.O. JOHANSSON.

5.

PRINCIPAL FEATURES AND PROBLEMS OF THE WORLD ECONOMIC POSITION FROM THE POINT OF VIEW OF THE DIFFERENT COUNTRIES.

(First Part of the Programme of the Conference).

MEMORANDUM SUBMITTED BY THE JAPANESE MEMBERS OF THE CONFERENCE.

The Japanese members are convinced of the urgent necessity of firmly establishing international co-operation and co-ordination upon the solid foundation of world economy in contrast with the nationalistic economic policy practised heretofore. Situated as we are, we are keenly impressed with the reality and truth of this thesis, for Japan is one of the most thickly populated countries in the world; and if we take into consideration the proportion of her inhabitants to the area capable of cultivation we may say that she has a greater net density of population than any other country, while she is but poorly endowed with natural resources. Hence, we ardently desire a universal regime of freedom of communication and transit and equitable treatment of commerce between the members of the family of nations in strict conformity with the spirit of the League of Nations. To this end we

submit the following proposals as being especially important from the point of view of our country:

1. The reduction of fiscal burdens on the peoples of the various countries;
2. The removal or reduction of Customs barriers, discriminatory tariffs and other forms of differential treatment of persons or goods;
3. The development of natural resources through freedom for economic enterprise;
4. The equitable distribution of foodstuffs and raw materials;
5. The abolition of discriminatory treatment in regard to transportation and shipping and the opening of coastwise trade to the commerce of the world; and
6. The stabilisation of foreign exchange.

6.

THE PRESENT POSITION OF SUGAR FROM THE INTERNATIONAL POINT OF VIEW.

NOTE SUBMITTED BY THE CUBAN MEMBERS OF THE CONFERENCE.

Following the example of some delegations who have referred to different aspects of the economic life of their respective countries or to certain industries of world importance predominating therein, the Cuban delegation likewise desire to offer the following observations regarding the present position of sugar from the international point of view. The problem submitted, although of particular interest to our country, is at the same time one of general interest:

1. Sugar is a commodity of which a greater supply than that required to satisfy the demands of international trade is almost constantly being produced. There is, in other words, a general and permanent tendency in the sugar industry to produce beyond market requirements.

2. Although there exists this excess of supply, the production of sugar is nevertheless almost universally stimulated by high protective duties, by colonial preferences and, in some cases, by bounties, all of which constitute direct or indirect subsidies to the producers in many countries.

3. But notwithstanding this artificial stimulation of sugar production in a large part of the world, and in spite of the fact that such stimulation contributes to create an almost constant world surplus, the consumption of sugar is very substantially reduced and restrained in a good many countries by high internal taxes; these measures aggravate the prevalent conditions of international over-production and deprive the public of the full utilisation of a valuable food product.

4. Protective tariff rates on sugar, especially when domestic consumption is restricted by internal taxes, have the effect of causing production to exceed the domestic requirements, thus causing producers to seek outlets on foreign markets. The Customs duty in such cases, therefore, acts as a bounty to promote surplus production, leading to forced exportation and dumping in foreign markets.

5. There exists, therefore, an evident maladjustment and waste, from the economic standpoint, in stimulating production, on the one hand, and in restricting consumption, by heavy internal taxation, on the other. The present economically unsound situation of the industry naturally results from the extreme protective and fiscal policies so generally applied to sugar.

In view of the facts set forth, it would seem that the sugar industry of the world as a whole, from the international standpoint, should strive for the following ends:

(a) Protective measures (Customs duties, bounties, etc.), when applied by particular countries, should be limited in their aim to assuring supplies for the domestic markets, and should not prove ultra-protective to the extent of stimulating surplus production for foreign markets, this being equivalent to the payment of indirect bounties on exports and often leading to actual dumping in international trade.

(b) Countries which stimulate sugar production by high Customs duties, colonial preferences, bounties, etc., should not, at the same time, restrict their consumption of sugar by internal taxes, for

it is only by permitting consumption to take place freely and unburdened by taxation in the domestic market that a policy of artificial stimulation of production can be justified from an economic point of view.

(c) In the interest of increasing national and world consumption and in order to place this essential article of food, to as full an extent as possible, within reach of the great mass of consumers, the associations of producers of the different countries should endeavour to create, by means of an educational campaign, a state of opinion unfavourable to ultra-protective duties and high internal taxes on sugar, and to bring about gradually a uniform classification of sugar in the tariffs and Customs regulations of the various countries.

(d) The associations of producers of the leading exporting countries should combine their efforts to increase and expand consumption, especially in undeveloped markets, and for this purpose should endeavour: (1) to enlist the co-operation of the exporters of confectionery and other products into which sugar largely enters; (2) to obtain lower freight rates and facilities for transport and warehousing for the markets concerned; (3) to make efforts to remove existing obstacles and onerous conditions interfering with the importation, handling, distribution and sale of sugar in such countries; (4) to agree upon standard and uniform grades, classes and containers for the export trade

thereto; and (5) if possible to organise an export and distributing international corporation, able to employ more effective sales methods than can be put in practice by individual exporters, to sell co-operatively in such markets as may be determined upon.

The sugar industry of Cuba, which is the most important sugar producing and exporting country in the world, would be ready, we believe, to co-operate and take a prominent part in carrying into effect the measures above suggested.

Having expressed the foregoing views, we deem it proper to inform the Conference that the President of the Republic of Cuba is taking steps to hold an international conference of the sugar producers of the world, which it is expected will meet in Havana in the near future, and at which there probably would be opportunity to consider, among other subjects, the means of increasing the consumption of sugar in the world, through concerted action on the part of the industry; of establishing more efficient and economical methods of distribution and marketing; of removing or diminishing as much as possible the fiscal burdens which at present restrict the consumption of sugar; and of promoting, as far as may be deemed useful and practicable, an international organisation of sugar producers to serve the common interests of the industry and also of the consumers, on whom, in last analysis, the industry is dependent for its vitality.

7.

MEMORANDUM ON THE ECONOMIC EVILS OF THE REGIME OF CAPITULATIONS IN EGYPT.

SUBMITTED BY A. R. FIKRY BEY (M.Sc., BARRISTER-AT-LAW) OF THE EGYPTIAN DELEGATION.

1. *Scope of the Conference.*

Part I of the Agenda of the Economic Conference is concerned with three kinds of economic questions for discussion and deliberation.

The first of these refers to the principal features and problems as seen from the point of view of different countries.

The second bears on the analysis of economic causes of the present disturbed equilibrium in commerce and industry.

The last section of this Part deals with tendencies capable of affecting the peace of the world.

The subject of the Capitulations in Egypt, which paralyse the economic development of that country, can be reasonably admitted as coming under any one of these heads and as constituting an important problem worthy of the attention of the Conference and deserving its sympathetic consideration.

2. *The Agenda admits of the Discussion of the Capitulations.*

In Egyptian opinion, this question fulfils all the conditions required to bring it within the scope of the agenda of the Conference. It is undoubtedly the most important feature and problem in Egyptian economic life. Its existence disturbs the commercial and industrial equilibrium of the country, and its economic results may certainly disturb the peace of the country and may therefore react on that of the world.

3. *The Capitulations exercise a Disturbing Influence from the Economic Point of View.*

The Capitulations affect the life and the natural development of Egypt unfavourably from all points of view. As always in cases of this kind, the economic side of the question cannot be entirely disentangled from its political and social elements. But, considering that the Conference is essentially concerned with economic matters, an attempt will be made to explain the problem of the Capitulations from the economic point of view, leaving on one side as much as possible its social and political aspects, although in these respects the regime is no less harmful to the community.

4. *Definition of the Capitulations.*

Capitulations are the privileges which Europeans, resident in Egypt, whether their domicile is permanent or temporary, have been claiming and enjoying for many centuries. As is well known, the regime of the Capitulations has been for some time a leading question in political and international discussions. Before the war many Eastern nations suffered from the evil effects of the system; but Egypt is, it might be said, the only country which has not been since liberated from it. Turkey has already shaken it off with the consent of the Powers. Important and definite assurances for the removal of the regime have been given to China.

5. *Sympathetic Attitude of the Powers.*

Recently, in the case of China, all European and American countries, irrespective of party, have been fully convinced of the bad effects which are caused by the existence of these extra-territorial rights and have undertaken to bring them to an end. In Great Britain, in particular, Sir Austen Chamberlain, Mr. Lloyd George and Mr. MacDonald have declared that these institutions have become obsolete and that they are, moreover, useless at the present time.

6. *How the System operates in Egypt.*

Before describing the working of these Capitulations in Egypt, it will be preferable to give a brief statement of their history, as well as a description of their nature. In Egypt, as we have already stated, Capitulations mean privileges or immunities which were given by treaty or charter to foreign residents in the Turkish dominions, so that these foreigners might establish themselves and deal with one another according to their own laws and customs and without any interference from the agents of the Sultan of Turkey. As the foreign Powers became stronger, and the Turkish Empire weaker, these privileges were transformed into extra-territorial rights. They are unilateral and non-terminable, but liable to modifications by treaty. The Capitulations granted to Great Britain by the Porte date back to a very early period; but, after various alterations, the Capitulations actually in force were established; these date from 1675 and were confirmed in the Treaty of Peace concluded at the Dardanelles in 1809. Capitulations were also granted to France in 1581, 1604 and 1673, and were renewed in 1740. The Dutch were granted Capitulations in 1612, and these were renewed in 1680. Nearly all the other Great Powers obtained similar concessions from the Porte at one time or another in the course of the last four hundred years. It is in virtue of these unilateral treaties with the Porte that the regime of the Capitulations exists in Egypt. The Powers enjoying them were before the war fifteen in number, viz: Great Britain, United States of America, France, Italy, Spain, Holland, Belgium, Norway, Sweden, Denmark, Greece, Portugal, Russia, Germany and Austria-Hungary.

7. *The Restrictions imposed by the Capitulations.*

The most serious restrictions imposed by these privileges granted to Europeans, especially in the case of Egypt, are summarised by Sir Valentine Chirol, as follows:

First, no direct tax can be imposed on foreigners domiciled in Egypt without the consent of all the Capitulatory Powers. *Secondly*, all civil and commercial cases and all cases relating to land between foreigners and Egyptians or between foreigners of the same or different nationalities are tried by the Mixed Tribunals, which consist largely of foreign judges nominated by the Capitulatory Powers. *Thirdly*, all criminal cases against foreigners, with a few minor exceptions which come within the jurisdiction of the Mixed Tribunals, are tried in the consular courts of the defendants' own nationality. *Fourthly*, no domiciliary visit can take place in the premises of a foreigner without the previous consent of his own consular authority, and the Egyptian police cannot without such authority enter a foreigner's house, except in a case of fire or of an unmistakable cry for help against violence.

8. *Capitulations and the Mixed Tribunals.*

During the last fifty years, every reformer in Egypt has been embarrassed and paralysed by the

continual difficulties he encounters arising out of these extra-territorial rights, because any law or tax or social or administrative reform, in order to have a territorial effect and produce the results aimed at, must be submitted to the European Powers and be approved by their separate Governments. In 1876, after prolonged efforts, the regime of the Mixed Tribunals was established as a temporary step towards uniformity in the judicial system of Egypt; but the competence of these Tribunals was extended only to civil and commercial matters and to all cases relating to land, between foreigners and Egyptians or between foreigners of the same nationality. These Mixed Tribunals, in spite of the assistance which they rendered to the Egyptian Government, could only be considered as a very imperfect remedy for some of the difficulties inherent in the capitulatory system. The majority of their judges are foreigners; their scope of jurisdiction is most restricted and conflicting, and, besides, the institution of these Tribunals has not in any way given the Egyptian Government power to make laws applicable to all the inhabitants of the country.

From the point of view of economic or financial reform, the institution of the Mixed Tribunals does not make any modification in the system.

9. *Lord Cromer's Criticisms.*

Lord Cromer's condemnation of the capitulatory regime is unqualified, and, in order to give you an idea of his views on the subject, we quote some of his remarks. Writing in 1907, he said: "The main blot in the system under which Egypt was, and unfortunately still is, governed is the absence of any legislative machinery capable of passing laws binding on all the inhabitants of the country. As the absence of any properly constituted tribunals created—to use Nubar Pacha's expressive phrase—a judicial Babel, so the absence of any supreme legislature creates a legislative Babel. History affords abundant examples of countries whose systems of legislation have been bad. Egypt affords a unique example of a country well advanced on the road to civilisation which for all practical purposes may be said to possess no general legislative system whatsoever".

10. *Quotations from Lord Milner.*

Lord Milner, again, who, as an old Under-Secretary of Finance in Cairo, was an eye-witness of the disastrous effects of these extra-territorial rights, was most candid in his book, "England in Egypt", in exposing some of the grievous harm which is caused under cover of the Capitulations.

Here are some quotations from his remarks: "It would be hard to exaggerate the amount of injustice or the hideous administrative confusion arising from this state of things; but the immunity often accorded to criminals is not the most serious, though it is the most sensational ill resulting from the abuse of the Capitulations. Of more far-reaching consequence are the obstacles they interpose to every kind of administrative reform and to the general march of progress. Where would the growth of civilisation be without the power of creating new offences? Step by step, as the development of the public conscience condemns certain acts as immoral or experience shows them to be injurious to the general interest, the legislature follows and makes them punishable. But the Capitulations oppose a solid barrier to this process, alike as regards the suppression of vice and the repression of nuisances, whether it be a question of public morals—such as the closing of gambling-hells and houses of ill-fame,

or the control of the sale of intoxicating liquors ; or a question of public convenience such as the preservation of a canal bank or the enforcement of the most essential sanitary rules — the same difficulty presents itself. From the prevention of false coining to the regulation of a cab-stand, it is always the same old story. No doubt the Government is free to make the necessary laws ; but as long as the penalties contained in them are not applicable to foreigners, what is the use ? It would simply be giving a profitable monopoly of lawlessness to the foreigner at the expense of the Egyptian. And in matters of this kind it is precisely the low-class foreigners, with whom the country swarms, who are the principal offenders. It is they who are the false coiners, who keep the gambling-hells, the liquor shops, the disorderly houses... The Egyptian Courts cannot try them, nor is it certain that their own courts, even if willing, would be competent to do so. For the offences in question are offences by virtue of Egyptian municipal law ; but foreigners have the right to be tried not only by their own courts but by their own laws... The penal code of that country may possibly have no provision applicable to the case”.

11. *Attitude of the Milner Commission of 1920.*

During the negotiations between Lord Milner's Commission and the Egyptian Delegation in 1920, the British Delegation felt and recognised the gross injustice inflicted upon Egypt by the regime of the Capitulations in general and its economic and financial evils in particular. Lord Milner and his Commission agreed to the principle of recognising the complete authority of the Egyptian Government over its financial affairs, including full power to make territorial laws concerning taxes which might be levied on all Egyptians and foreigners alike, and thus relieve the Egyptian Government of the interminable difficulties of obtaining the consent of all the Powers before being able to make the slightest modification in the taxes.

12. *The Movement of Reform which followed the Proclamation of Egyptian Independence.*

Since these discussions took place, conditions in Egypt have entirely changed. The independence of the country was recognised in 1922, and a full parliamentary regime has been instituted and is in full operation. Since then there has been a complete re-awakening of the Egyptian nation, which has given proof of untiring activity in reconstruction and reform. In education, in public health, in judicial reform, in administration, including the reconstruction of Customs organisation, the Egyptian Parliament and the Egyptian Government are not sparing any effort.

13. *Equality of Treatment is the Best Guarantee.*

Turkey, from which the regime of Capitulations was inherited in Egypt, has put an end to it on her own territory with the consent of the Powers, and her sovereign authority to make territorial laws affecting all the inhabitants of her dominions is now unrestricted. The recognition by the Powers of this legitimate and elementary principle of sovereignty has not retarded progress in Turkey. On the contrary, it has given the Turkish people a new confidence as well as a sense of responsibility in law making. It has not discouraged either national or foreign enterprise in Turkey, but has given the foreign powers an incentive to trust Turkey as a solvent, satisfied and progressive nation. The best guarantee that a nation can

give to others, whether in respect of economic or political obligations, is the stability of its administration and the sense of friendship and equity which inspires the dealings of that country with other Powers. But a nation which feels that it is being treated as an inferior, as an object of distrust, and which feels itself to be the victim of injustice at the hands of other foreign Powers or at the hands of nationals of those Powers living within her territory is naturally likely, sooner or later, to manifest her feeling of distrust and hostility.

14. *Egypt and her Foreign Residents.*

China, as mentioned before, has received undertakings from all the Powers to recognise her authority to consolidate her sovereign powers without any restrictive clause which interferes in the making of her legislation applicable to the foreigners resident in her territories. This being so, it would be most exceptional and unjustified that Egypt should be singled out and left as the only country which is not in a position to administer laws applicable to its European residents, permanent or temporary, who number about 160,000 out of a population of more than 14 millions, according to the latest census. Many of these foreigners have adopted Egypt as their new home and have no intention of returning to their own country. In any other State, they would have been assimilated to nationals of that State and would have shared with them the rights and duties of citizenship.

15. *The Interests of the European Residents are identical with those of the Egyptians.*

It must also be added that many of the European residents in Egypt, especially those belonging to the Mediterranean Powers, do not restrict their residence to big towns like Alexandria or Cairo, but are scattered about in all the various provinces and villages of the country, and they deal with the Egyptian peasant in agriculture and trade and money-lending. Their interests therefore are neither separate nor independent, but are fully bound up with those of the Egyptian people. In every village a member of these nationals of Mediterranean countries are to be found, and whatever affects the interests of the village inhabitants also affects those of these foreigners. But whatever may be the obligations imposed on the Egyptians in town and village, in virtue of central and local legislation, the European inhabitants are not bound to any allegiance towards the institutions under which they live.

16. *Indirect Harmful Results of the Capitulations.*

What are now the indirect effects of this regime on the economic development of the country ? It was mentioned above that this paper would deal only with the economic and financial side of the Capitulations, leaving aside other evils of this regime question, however important they may be. But it cannot be ignored that the situation created, from the political and social point of view, by the existence of extra-territorial rights has serious consequences for the life of the country, and hinders her economic and general development. It will be sufficient to give one or two examples of these indirect effects.

17. *The Capitulations shelter those employed in Illicit Trade in Drugs.*

Members of the Economic Conference are aware of the great services that the League of Nations has rendered to humanity by concerning

itself with the drug question and including it in its programme. The measures it is taking to cope with this scourge are also well known. It is therefore surprising and sad to have to state that the Egyptian Government does not possess, because of the Capitulations, the complete legislative or administrative authority which would enable it to suppress the sale of drugs in Egypt and to punish those who get rich on this traffic. The economic effects on the people, who get accustomed to the use of the drugs until they become enslaved to the habit, are well known. The physical and mental strength of the drug-maniacs is gradually sapped, and their moral sense and their capacity for work is seriously diminished. Russell Pasha, the Commandant of Police at Cairo, and his lieutenants, who make untiring efforts to cope with the drug question in Egypt, have recently declared that it will be impossible to prevent effectively this illicit traffic until the Egyptian Government enjoys full and complete liberty in this matter.

18. *The Capitulations hinder the Organisation of Trade and Industry.*

It may be asked how trade and industry are either to be organised or developed on modern lines without the usual supervising and guiding hand of the State. Whether it is the construction of railways or the institution of social legislation affecting the relations between employer and employed, or the preparation of insurance schemes or any other aspect of the labour problems, the direction of the State is required. In Egypt, this direction, which is essential to social progress, is utterly valueless because the laws made by the State cannot be territorially applied and extended to foreign residents without the consent of the capitulatory Powers. Some of these Powers do not give their consent willingly and regularly, but usually make the course of the negotiations involved and entangled by the introduction during the discussion of many other irrelevant topics, with the result that these negotiations are interminable and yield no result.

19. *An Example of Tyranny.*

A concrete example may be given of the difficulties with which the Egyptian statesmen invariably meet when they seek the approval of the Powers before effecting a reform. This example is taken from the work of Sir Valentine Chirol, "The Egyptian Problem": A few years ago the Egyptian Government approached the Powers to secure their consent to a levy of a small tax on the population in Cairo to pay for the improvement of the drainage system. The agreement arrived at with the Powers for this purpose was held up for six months by a small Power, whose subjects in Cairo did not possess more than twelve houses, and whose consent was only given in return for an undertaking of the British Government to help her in obtaining a favourable colonial settlement in South Africa.

20. *The Capitulations paralyse the Treasury.*

Whatever may be the requirements of the Egyptian Treasury, especially in a period of depression or in a period when reforms are being undertaken, the Egyptian Government cannot ask the wealthy colonies settled in Egypt to pay their share of the expenses involved. This being so, the Egyptian Government will not attempt to make any serious movement in the direction of reconstruction, when that reconstruction necessitates the raising of new taxes and when those taxes cannot be collected

from foreigners on the same basis as from Egyptians. Further, the foreigners resident in Egypt expect the Egyptians to pay for all schemes of reform; they share in the benefits, but they refuse to share in the expense.

21. *A Case in Point.*

In this connection, it is interesting to mention that a small tax was levied before the war for the purpose of the upkeep of the Ghaffirs force, charged with the duty of watching and guarding Cairo and other large cities at night. The foreign residents, whose persons and property are equally protected out of the proceeds of this tax, refused to pay it. During the war, the tax was collected from them when the country was under military rule. At present they have suspended payment of this tax by the order of their Consuls, on the pretext that no agreement has been concluded with the Powers for the payment of this tax to the Egyptian Treasury.

22. *The Capitulations prevent the Government from levying any Direct Tax.*

When we consider that the foreigners living in Egypt own between them a large amount of the money and trade of the country in the form of banks and companies of various kinds, it seems to be grossly illogical that some of the profits which they make in Egypt should not be subject to taxes which would help the Government to carry out the various responsibilities which are incumbent on it. This also has the result that the wealthy class of Egyptians cannot be taxed in accordance with the amount of their wealth so long as the same kind of taxes cannot be extended to the foreigners who compete with them. Any scheme of taxation which will discriminate between Egyptians and foreigners will have the effect of penalising those who pay and placing them in a difficult position, whether in trade or industry, as compared with those who are exempt from taxation.

23. *The Land Tax.*

It is true that foreign landowners pay their share in the Land Tax; but this Land Tax has been adjusted since 1899 and this was based on a duration of forty years, which prevents any revision of the assessment and makes the Land Tax, as a source of revenue, stagnant, very inelastic, and bearing no proportion to the capital value. Foreigners are not very eager, especially lately, to acquire landed property. Generally they hold the land which they buy only to improve it and then to re-sell to Egyptian owners, thus making profit out of the transaction. This is because land in Egypt, compared with other channels of investment, is not a very profitable one, and foreign capitalists therefore prefer to invest their funds in other enterprises with increasing returns, especially so when the profits thus gained are not liable to taxes as in the case of land.

24. *Land Proprietorship and Investments in Land.*

In 1912, out of about 5½ million feddans, owned by about 1½ million proprietors, 8,079 foreigners owned 715,936 feddans. In 1925, the number of foreign owners had fallen to 6,596, and the land owned by them had an area of 538,000 feddans. Consequently, in about twelve years something more than one-quarter of the area they possessed was handed back to Egyptian proprietors. However much this movement is in conformity with the interests of the Egyptian farmer, yet it shows that, whatever contribution foreigners used to make in the shape of Land Tax, is progressively decreasing.

25. *The Capitulations cause Unique Inequality.*

The financial side of the Capitulation regime has therefore produced in Egypt a system of finance which is unique in its unequity, in its inelasticity, in its unproductivity and in everything contrary to the known canons of taxation. It has brought about a situation in which the rich do not pay any tax proportionate to their wealth, and the peasant class are charged with almost all the burden, especially in the form of indirect taxes, and unless this state of things can be duly rectified, it is bound to breed social and political unrest and troubles.

It is certain that many problems of first-class importance and urgency, affecting the very health and even the existence of the people, cannot be solved under the present régime.

26. *The Capitulations obstruct All Idea of Reform.*

The modern Egyptians need education and this necessitates money; they need public health improvements and this again involves money. Our roads, our houses and all the other things required by our people should be progressively improved, but the very elementary duty of keeping them in running order cannot be carried out without money. And how can the money be raised out of the accumulated funds in the country without the creation of new taxes in proportion to the capacity to pay, and how can these taxes be raised if our friends the foreigners do not like the idea of paying them ?

27. *Recent Industrial Progress in Egypt.*

In Egypt, as is the case elsewhere, the idea that land is the natural source of production and of revenue is being increasingly discarded, and many people have recently turned to commercial and industrial careers. Side by side with foreign banks and industrial undertakings, the Egyptians are making great and successful strides in this direction, and have accomplished much. Taking the progress made in the last five years in industrial life, all the symptoms seem to show that before long the Egyptians will be driven by the force of circumstances to form many companies and banking undertakings, if only to surmount the periodical agricultural depressions and crises which are accentuated by the dependence of the country on the cotton crop alone.

28. *Reasons for not having Recourse to Indirect Taxes.*

The question may be asked now why the Egyptian Treasury does not fall back on indirect taxes to increase its receipts and make the foreigner pay without need of appealing for his country's consent. In the Budget of 1926-27, Land Tax contributed little more than 5½ million pounds; Customs duties about 12 millions. These two sources of receipts constituted together little less than half of the revenues of the State. For their permanent character and for their returns

they may be considered as the most important and solid sources of revenue, and that in spite of their very inelastic nature. Most of the other receipts are derived either from State enterprise or from extraordinary sources and cannot be strictly called taxes. Nor can they be regarded as receipts which can be relied upon at all times.

It will be seen that the Egyptian State collects about one-third of its revenue from indirect taxes in the form of Customs duties and that, consequently, any further increase in this direction will penalise the ordinary peasant and will leave free the wealthy part of the population. Such an increase would also have many results to the advantage neither of the Egyptian consumer or exporter, nor of the European producer or exporter. Any increase in indirect taxes will also bring about in Egypt the usual controversy of tariff problems, and is bound to hamper the European merchant. Moreover, Egypt is bound by many commercial agreements with foreign countries, and therefore during the operation of these Agreements any attempt to increase the Customs duties is out of the question. It is, moreover, the object of the present Conference to relieve trade and commerce of national tariff barriers, and to ask Egypt to impose such barriers would surely be contrary to the spirit of present tendencies.

29. *Concluding Word and an Appeal to the Economic Conference.*

From the above explanation of the effects of this most oppressive regime, it will be seen that the present financial system in Egypt is in complete opposition to the requirements of modern progress. It hinders the Egyptian Government from taxing the savings of foreign and Egyptian companies, and thus creates a unique system of inequality of treatment. Under this system, the Finance Ministers in time of crises can only depend on a very bad alternative, and that is the cutting down of departmental expenses and the cancelling of schemes recognised as urgent, the execution of which had been agreed. It hinders the Treasury from meeting the requirements of the country by the institution of such well-known taxes as Income Tax, the Capital Tax, the Inheritance Tax, the Corporation Tax, or any other of the features common to modern financial systems. It stands in the way of developing our municipal and local institutions. It shelters foreign evil-doers, and gives them an unlimited field for their illegal activities, thus endangering public security, which is the principal requisite of economic development. The existence of this regime is contrary to all rules of progress. Neither the foreign Powers nor their nationals resident in Egypt have ever been able to justify this regime, which paralyses all the efforts of the country. The International Economic Conference will surely give its unqualified condemnation of this obsolete and disturbing remnant of the past.

(Signed) A. R. FIKRY.

MEMORANDUM ON THE NEED FOR PERSIA TO POSSESS CUSTOMS AUTONOMY.

SUBMITTED BY THE PERSIAN DELEGATION TO THE INTERNATIONAL ECONOMIC CONFERENCE.

The Persian delegation which has the honour to take part in the International Economic Conference desires to derive therefrom as many lessons as possible with a view to the solution of the serious economic difficulties in which Persia is involved. These difficulties have already been explained to the League in detail, in connection with the discussion on opium production in Persia. They all come within the range of the subjects being dealt with by this Conference. The Persian delegation ventures to recapitulate these difficulties, though it is happy to note that most of the erudite statements made in the course of the general discussion apply to Persia's situation and requirements.

Very few countries which remained neutral during the war have suffered directly and indirectly from its disastrous effect and consequences to such an extent as Persia. Although she took no part in the war, she was nevertheless invaded by the belligerent armies, because she was situated at the strategical cross-roads. The population of important agricultural regions, which were completely devastated, was decimated or dispersed. A large part of the live-stock was destroyed. This havoc was certainly one of the main causes of the disastrous famine of 1917-18, which continued and completed the work of destruction, plunging the agricultural districts of the country into a state of paralysis from which they have not yet entirely recovered.

The productiveness and purchasing power of the inhabitants of the countryside have been greatly reduced. The peasantry are living in great destitution. Consequently the productiveness of other national industries, all connected with agriculture in this essentially agricultural country, have been seriously affected by the situation, while the world-renowned Persian carpet industry is passing through a crisis which endangers its very existence.

Customs receipts which, *in spite of the fact that our tariff is notoriously inadequate and low*, constitute the main fiscal resource of the country, fell in 1927-1928 to just one-half of the revenue derived from this source in 1913-14.

In 1913-14 Persia's general trade (imports and exports combined) amounted to 1,103,004,476 krans. In 1925-26 it amounted to 1,940,415,329 krans, thus showing an apparent increase; but the appearance is deceptive. These figures include the value of the petroleum products exported by the Anglo-Persian Oil Company — which are not regarded as exchange commodities — to the extent of 17,764,627 and 544,688,000 krans respectively. Moreover, if we estimate the present trade on the basis of pre-war values, we shall again observe that, despite the gradual improvement which has been hindered by various circumstances, the value is below normal.

In this country, in which invisible factors of compensation only exist to a limited degree, the trade balance deficit, which is continually increasing, is a cause of public anxiety. Public opinion is clamouring for the restriction of imports by all possible legal means. It will be understood, however, that the Government hesitates to take this step.

It is under these deplorable conditions that Persia has to work for her economic restoration and development.

Even before the end of the war, the eyes of Eastern peoples were opened, and, particularly in Persia, the population awoke to a consciousness of its right to be treated equitably by European countries in all respects. Who could blame the Persians for resenting more strongly than most peoples the prevailing tendency to consider certain Eastern countries as mere outlets for the expansion of European trade? We should also mention the extent to which Persian interests have suffered owing to the existence of capitulations, one-sided treaties and prerogatives — traces of the past which must vanish!

In spite of innumerable difficulties which have been briefly summarised, Persia has resolutely entered on the modern path of construction, organisation and development. The efforts which she made as soon as the war was over, and in which, under the auspices of an energetic and wise sovereign, bent on the welfare of his people, she is persevering, are beginning to bear fruit, and already afford promise of a brighter future.

The programme of reform which Persia has undertaken includes, among others, the following points:

- (1) The improvement and development of public education;
- (2) The reform and development of agriculture by setting up institutions for agricultural credit, carrying out irrigation works, etc.;
- (3) Support of existing national industries and introduction of a reasonably small number of new industries capable of producing commodities which would make up for deficiencies in certain imports;
- (4) Development of the home market and of export;
- (5) The search for new outlets for the exportation of her products;
- (6) The rational exploitation of natural resources, particularly mineral resources;
- (7) The creation and development of the means of transport (railways and high-roads);
- (8) Government support for all private undertakings of special importance to the economic development of the country;
- (9) The essential supervision of the carpet and silk industries, threatened with collapse;
- (10) Protection of the country by all practical and legal means against import dumping;
- (11) All practicable measures for raising the standard of living of the population;
- (12) Assisting European countries (as far as she is provided with the means of doing so) in the struggle against opium consumption.

As we have already stated, the results achieved by Persia are already such as to permit of optimism and to inspire confidence in commercial and industrial circles abroad. The State budget is balanced, and the national debt is proportionately smaller than in any other country.

Extra-budgetary resources have been created for the construction of railways and for the development of the network of high-roads which have already been invaded by motor transport. Thorough, effective and satisfactory supervision is exercised over public expenses and public organisations. In short, Persia is strengthening her position as a constitutional and parliamentary State

Nevertheless, the position of the country is still such that, despite the truth of the axiom that State intervention in economic matters should be limited, it is absolutely indispensable in Persia that the Government should promote every activity.

So as not to remain stationary and so as to accomplish her plans for economic development on a reasonable and progressive scale, Persia is faced with the imperative necessity of increasing her fiscal revenues. These revenues, however, cannot be obtained by direct taxation in this impoverished country in which, owing to the failure to exploit natural wealth, it has not yet been possible to create the internal taxable resources on which the Exchequer can charge income tax.

It is obvious that Persia cannot hope to become an important industrial and exporting country in a short space of time. Her total trade is at present estimated at less than \$20 per head of population, whereas Great Britain's is \$164, Belgium's \$157, France's \$94 and the U.S.A.'s \$69. But Persia can and must develop her exports, her industry and her national market so as to satisfy her need for progress and raise the standard of living of her population.

The natural resources of the sub-soil in particular are so valuable in Persia that it is not too much to say that, if they were rationally exploited, Persia could dispense with her Customs tariff.

It has been noted with satisfaction that the present Conference has unanimously and unconditionally asserted the essential principle from the point of view of a country's prosperity that the increase in the standard of living and purchasing power of the population is a function of the development of production.

European prosperity will have nothing to lose and everything to gain from a country which, if permitted to develop her resources, will increase her consuming power and import capacity. We may quote in the lucid statement of the learned Polish economist, M. Gliwic: "To desire that a country shall remain purely agricultural, particularly when it possesses the raw materials allowing it to become industrialised, would be contrary to the interests of the industrialised and exporting countries of Europe. Statistics show that industry finds its most important outlets not in agriculture but in industrialised countries".

For the development of Persia, which is rich in all raw materials, Europe will have to supply large quantities of the "raw material" capital. The Persian Government has already exempted industrial machinery, motor-lorries and omnibuses from import duties for a long period. The Governments interested in Persian trade will have no difficulty in realising that an impoverished client is not a good one, and that a weak, frustrated and paralysed client is but a poor buyer. Persia will buy only if she can sell. The development of her selling power depends essentially on her freedom to adjust her Customs tariffs to her own commercial and economic needs.

This freedom she will not possess as long as the determination of her Customs tariffs is conditional upon a previous agreement with foreign countries.

From the foregoing statements it will be seen that everything combines to show that European countries must help the economic development of Asiatic countries in general and of Persia in particular, and to demonstrate the benefit which all will derive therefrom.

* * *

The existence of a Customs tariff at ridiculously inadequate rates, established as has been indicated above, cannot but delay this country's progress by depriving it of the revenue necessary for its development schemes and of all semblance of protection for its national industries. No one will dispute the fact that this is an intolerable state of affairs and that Customs autonomy is an essential condition of economic autonomy. Below we show the *ad valorem* incidence of the import duties in Persia imposed on a number of goods which Persia produces or can produce.

Cotton thread 4% *ad valorem*.
 Woollen thread 1%.
 Linen and hemp 3-4%.
 Silk thread 6-7%.
 Ordinary cotton cloth 3-5.5%.
 Woollen cloth 6-7%.
 Woollen cloth mixed with cotton 1.5-5%.
 Silk fabrics 7-8%.

Memo.

Petroleum imported from Russia 1% *ad valorem*.
 Benzine " " " 3-7% *ad valorem*.

Considering the matter only from the fiscal point of view, which is after all the most important for Persia, it must be admitted that the import duties imposed on a considerable number of goods which are not of general necessity and are imported only for the use of the well-to-do classes are inadequate.

The question of the Persian tariff is at present an imbroglio into which we cannot enter here; one thing is certain and that is that Persia does not yet enjoy Customs autonomy.

She is determined to achieve this autonomy. Every country will understand that the complete economic autonomy of Persia in fiscal matters is an essential condition of the success of her reorganisation which will be as beneficial to others as to herself.

When she enjoys Customs autonomy, Persia will be able to reconcile her own interests with those of other nations and, profiting to the full by the valuable information acquired by her delegates at the International Economic Conference, she will be in a better position than any other country to draw up a tariff answering only to reasonable fiscal requirements and to the needs of a moderate, sound and reasonable protection of our national industry.

Indeed, the recommendation concerning the diminution of Customs tariffs which has met with the Conference's unanimous approval has no application as regards Persia whose tariff is in many respects *too low*; it has only one abnormality and unsound aspect (for Persia) — and that is this very lowness.

So far as Customs matters are concerned, Persia regards with favour the most-favoured-nation clause, interpreted so as to injure no interests, and there is no reason to fear that she would use her tariff autonomy to discriminate against one country in favour of another; she realises, moreover, that it is in her interest to respect the liberty of trading and the principle of the open door. It is appreciated in Persia that the first result of a high Customs tariff is to raise the cost of living; this consideration is the surest guarantee that Persia will entertain no *exaggerated* protective ambitions when she has achieved her tariff autonomy. Indeed, an exaggerated protective tariff, apart from the fact that it would be illogical in the case of Persia, would have the effect of reducing her fiscal resources.

INTERNATIONAL POLITICS.

Outline of an Economic Diplomacy.

SUBMITTED BY M. FRANCISCO ANTONIO CORRÊA (PORTUGAL).

Owing to the permanent conflict of interests, to which the exaggerated economic nationalism displayed in the commercial relations between different countries has given rise, the disturbance in industry and trade which immediately followed the Armistice has not yet disappeared. This disturbance has been occasioned mainly by the scarcity of labour, the destruction due to the war and the difficulty in obtaining raw materials.

Small countries, which as a rule provide excellent markets for highly industrialised countries, are finding themselves condemned to economic isolation. A diplomatic policy devoid of all feeling of solidarity or clear-sightedness in economic affairs tends only to increase this isolation and thus gives rise to the most disastrous disturbances in international trade.

The large countries abandon those which are not in a position to resist the crisis; and, although in this way they eliminate possible competitors, at the same time they lose safe markets, which, owing to a falling-off in their capacity as consumers, are destined to disappear from the ranks of the larger countries' clients.

The protectionist reaction, which took place in the larger countries after the war, completely destroyed the interdependence of all the world markets, an interdependence which previously had provided a guarantee for the security of capital and credit and a powerful stimulus for both.

In order to prevent the expansion of countries whose exports consisted mainly of agricultural products, or of those in which the fall of the exchange had given rise to economic, financial and social disturbances, measures were adopted entailing import prohibitions and restrictions applied not so much by way of reprisal as with a view to securing the balance of trade — a balance increasingly difficult to secure by means of exports alone.

In order to justify some of these measures, the rise in the Customs duties levied by some countries on imports from abroad has sometimes been invoked. It does not follow, however, that there is an equation between the two. The level of any given rate of Customs duties can only be estimated in relation to the degree of protection which it affords to the home industry, and the extent to which it lessens foreign competition. In a country which is already suffering from excessive taxation, from the high cost of the instruments of production and from the burden imposed upon the home industry by legislation destined to protect labour, the levying of high Customs duties may represent a lesser degree of protection than that afforded by lower duties in another country, where industry has not to bear such heavy costs tending to raise selling prices. The Customs regime of a country should correspond exactly to that country's stage of economic evolution; its Customs policy should be based not primarily on fiscal but economic considerations — the protection of agriculture, trade and the working classes, with a view to promoting as complete harmony as possible between these different factors in the production of national

wealth. It would be absurd to criticise the Customs duties of a country without a thorough knowledge of all these factors.

* * *

The armed intervention of Portugal in the war entailed an enormous financial sacrifice, the effects of which were felt in all branches of economic activity in the country. At the outset, the fall in the exchange placed some industries in a very precarious position, with the result that the budget did not balance, and the adoption of an administrative programme became necessary which aimed mainly at valorising the escudo and the re-valorisation of taxes.

The exchange improved fairly rapidly; foreign competition had, however, already invaded the home market and was making the position of the home industries very difficult. The re-valorisation of duties, effected at the same time, only made matters worse. Some industries disappeared completely; others would have been unable to hold out but for the increase of Customs duties, which the Government had to introduce in order to cope with severe unemployment.

An economic policy tending to promote normal international relations should completely abolish the measures resorted to of late, inasmuch as these are damaging even to the countries applying them.

Among such measures, we would specially mention the following:

- (a) Restriction of the general most-favoured-nation clause.
- (b) Surtaxes calculated to prevent "exchange dumping".
- (c) Intermediate duties.
- (d) Surtaxes designed to hinder the re-export trade.

The general most-favoured-nation clause does, indeed, present disadvantages; these, however, might very largely be removed by renewing commercial treaties at the same date, and adopting either the French autonomous tariff system or the German system of specialisation. On the other hand, the clause offers many advantages, inasmuch as it tends to steady the flow of trade, to simplify negotiations and to avoid reprisals. The hypothetical advantage, which a restriction of the most-favoured-nation clause might secure for a country, can but seldom compensate for the disadvantages entailed by the possibility of a rupture of trade relations, of consequent reprisals and, generally speaking, by the loss of that stability which is so necessary a stimulus to commercial progress.

An attempt has been made to justify the restriction of the most-favoured-nation clause by setting off against the system of *identical concessions* as a basis of commercial agreements that of *economic equivalents*.

In theory we might accept this doctrine; in practice, however, the difficulties experienced in

establishing economic equivalents are insuperable, and, even if this were not the case, such equivalents as might be secured at any given time could not last long owing to present movements in prices and in the exchanges.

Surtaxes calculated to prevent "exchange dumping" might be justifiable in the case of a country where monetary depreciation was progressive and did not correspond to a parallel rise in prices, affecting all factors in the cost of production. If these surtaxes were to be retained on the basis of exchange rates in 1914, the result would be to prevent the development of those countries which had made the greatest sacrifices, and particularly of those which had, by strenuous efforts, succeeded in stabilising their exchange, or at least in establishing an equilibrium between the value of their currency unit and industrial charges.

These surtaxes in fact correspond to an import prohibition on goods coming from countries whose exchange is still depreciated in relation to the 1914 rates.

Intermediate duties are a consequence of the restriction of the most-favoured-nation clause. The tariffs must be recast for every commercial agreement. Negotiations last indefinitely, owing to the anxiety of both parties to secure economic equivalents; trade, being in a state of uncertainty, looks for new outlets. Thus the internationalisation of industry is encouraged, to the detriment of the country's economic life.

The generalisation of conventional systems, which previously had tended to remedy the ills of protectionism, no longer works as a factor for promoting normal international trade relations. The introduction of an intermediate rate may give rise to prolonged discussions and cause considerable damage to international trade.

Surtaxes designed to hinder the re-export trade destroy the distributing markets which are an important asset for countries faced with the necessity of placing a large colonial output on the different markets. By way of reprisal against these surtaxes, it has been suggested that a compensating export duty should be levied on goods shipped by direct routes from the colonies. If this measure were applied, it would further contribute to the disturbance of international trade.

In some commercial agreements, the system of *contingents* has been resorted to. This system is open to grave objections. During the war, it gave rise to disastrous speculation, and later to a struggle between various interests which is bound to recur whenever the quota is fixed below the needs of the market, while if it is fixed above the limit of these needs, it ceases to serve any useful purpose.

As regards Portuguese exports, the principal difficulty to be overcome is the absence of protection for the marks of origin of certain Portuguese wines, the exceptional qualities of

which depend rather on climate and the nature of the soil than on the processes of manufacture.

* * *

The protectionism which set in after the war, and the main lines of which we have attempted to show, can only be a passing phase, since it hinders commercial relations between countries and, consequently, progress.

The policy of protecting by means of Customs duties and special facilities industries which are not strong enough to survive can only be transitory.

In the world market, competition will, in the long run, eliminate all but those industries which have at their disposal a plentiful supply of raw material, cheap and efficient labour and a highly developed commercial organisation.

The economic aspect assumed by modern diplomacy is due to the complexity of international relations. As M. Conty has very rightly said, the rôle of diplomats may be described as having a two-fold aspect: "information and action" — information about foreign markets, with regard to tariff laws and regulations, warehousing conditions, risk of fines and sale by auction, the practice of the market, commercial statistics; in brief, all that may be of interest to the home exporter.

The diplomat who supplies such information and thus performs an economic service, when called upon to protect his country's interests, either by negotiating a commercial agreement or by securing facilities for his country's trade, must be well acquainted with its market conditions, industrial technique and commercial practice.

International economic relations have now acquired so great an importance and such complexity that they outweigh and dominate political relations.

M. André Siegfried is right when he says:

"We think that, properly speaking, there are no separate economic questions and political questions, but that the same problems have an economic and a political aspect, neither of which can be neglected without risk of serious error."

In order to be effective, modern diplomacy must be guided by a realisation of economic facts; its working programme should aim particularly at the opening up of new markets: it is not called upon to defend exaggerated protectionism, nor to support a commercial policy which encroaches upon the rights and offends the aspirations of other countries, but to examine closely every possibility of competition on the world market, in order that it may better protect its own interests in a spirit of conciliation calculated to establish international relations on a suitable basis affording mutual advantages.

(Signed) Francisco Antonio CORRÊA.

Lisbon, April 4th, 1927.

*[Distributed to the Council and
the Members of the League.]*

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EDITORIAL NOTE.

The summary Minutes of the three main Committees of the Conference follow the documents issued day by day during the sessions. They have been subjected to a certain amount of revision, taking account of corrections sent in by members; in some cases, considerations of space have necessitated abridgment of details which had a national rather than an international interest, and in others amplification has been necessary.

For the Sub-Committees, in which a great part of the work of the Conference was done, no Minutes were taken, in accordance with the Rules of Procedure. Nevertheless, the Economic and Financial Section has done its best to provide a summary record of these important proceedings, based partly on the daily record published during the Conference in the *Official Journal* and on the resolutions and amendments submitted by various members. But the Section has not had the advantage of the observations of members. No attempt has been made to give a strictly chronological account; the aim has been to give a general idea of the trend of the discussion and of the views taken by the different delegations of the various questions as they arose, and of the stages by which the resolutions printed in the Final Report were reached.

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FIRST COMMITTEE (COMMERCE)

Summary of Minutes of the Plenary Meetings.

**Summary of Proceedings of the First Sub-Committee.
(Liberty of Commerce)**

**Summary of Proceedings of the Second Sub-Committee.
(Customs Tariffs and Commercial Treaties).**

**Summary of Proceedings of the Third Sub-Committee.
(Indirect Means of Protecting National Trade
and National Navigation).**

Summary of Proceedings of the Co-ordination Committee.

FIRST COMMITTEE (COMMERCE)

SUMMARY OF MINUTES OF THE PLENARY MEETINGS

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FIRST COMMITTEE (COMMERCE)

SUMMARY OF MINUTES OF PLENARY MEETINGS.

I. INTRODUCTION.

The First Committee, on Commerce, had to consider the second part of the agenda, as laid down by the Preparatory Committee, as follows :

1. *Liberty of Trading :*

- (a) Import and export prohibitions and restrictions.
- (b) Limitation, regulation or monopolisation of trade.
- (c) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.

2. *Customs Tariffs and Commercial Treaties.*

Obstacles to international trade arising from :

- (a) Form, level and instability of import and export tariffs.
- (b) Customs nomenclature and classification.

3. *Indirect Methods of protecting National Commerce and Shipping.*

- (a) Subsidies, direct or indirect.
- (b) Dumping, and anti-dumping legislation.
- (c) Discrimination arising from the conditions of transport.
- (d) Fiscal measures discriminating against foreign imported goods.

4. *Repercussion upon International Commerce of Reduced Purchasing Power.*

The Committee held three plenary meetings in all ; the first two, held in the morning and afternoon of Monday, May 9th, 1927, were devoted to a general discussion, after which the Committee broke up into three Sub-Committees concerned with the three first items of the agenda given above. The Committee did not meet again in plenary session until Friday, May 20th, when the three Sub-Committees had finished their work and when the resolutions passed by them had been co-ordinated by their Co-ordination Committee.

This third meeting was devoted to various proposed amendments and to the adoption of the resolutions.

II. THE COMMITTEE WAS CONSTITUTED AS FOLLOWS :

Chairman : M. COLIJN (Netherlands).
Vice-Chairmen : MR. W. BOYDEN (United States).
M. RYDBECK (Sweden).
Rapporteurs : Mr. Norman DAVIS (United States of America).
M. GÉRAED (Belgium).

SOUTH AFRICA

Dr. M. H. DE KOCK.

AUSTRALIA

Sir David GORDON or
Mr. William Warren KERR.
Mr. Alex. Foulis BELL.

AUSTRIA

Mme E. FREUNDLICH.
Dr. R. SCHÜLLER.
M. R. RIEDL.
M. E. HEINL.

BELGIUM

M. VAN DEN BROECK.
M. G. L. GÉRARD.
M. C. MEERTENS.
M. V. SERWY.

BRAZIL

M. J. A. BARBOZA-CARNEIRO.
M. Octavio DE PARANAGUÁ.

BRITISH EMPIRE

Sir Arthur BALFOUR (deputy : Mr. R. STREET).
Sir Max MUSPRATT (deputy : Mr. R. NUGENT).
Sir Norman HILL (deputy : Mr. BELLERBY).
Mr. LAYTON (deputy : Mr. ENFIELD or Mr. A. VARLEY).

BULGARIA

M. J. BOURILKOFF.

CANADA

Mr. Adam SHORTT.
Mr. Albert MATTHEWS.

CHILE

M. Enrique BRIEBA.

CHINA

M. CHUAN CHAO.

COLOMBIA

M. A. J. RESTREPO.

CUBA

M. G. DE BLANCK.
M. Marino PEREZ.

CZECHOSLOVAKIA

M. J. DVOŘÁČEK (deputy : Dr. Ibl).
M. R. TAYERLE.
Dr. K. STODOLA.

DENMARK

M. Ernst MEYER.
M. Einar COHN.

DANZIG

M. W. KLAVITTER.

EGYPT

SADIK HENEIN Pasha.
WAHBE IBRAHIM Bey.
Mr. James BAXTER.

ESTONIA

M. J. KUKK.
M. N. KOSTNER.

FINLAND

Dr. J. K. PAASIKIVI.
Dr. Henrik RAMSAY.

FRANCE

M. SERRUYS.
M. JOUHAUX.
M. LOUCHEUR.

GREECE

M. P. VOURLLOUMIS.
M. Jean TOURNAKIS.
M. P. C. PAPTZOULI.
M. G. GALOCHIROU.

GUATEMALA

M. Felipe SOLARES.

HUNGARY

Baron M. KORNFIELD.
M. DE VÉGH.
Count Jean HADIK.

GERMANY

Dr. E. TRENDELENBURG.
M. W. EGGERT.

INDIA

Sir Campbell RHODES.
Dr. L. K. HYDER.

IRISH FREE STATE

Mr. T. BARRINGTON.

ITALY

M. E. BELLONI.
M. A. DI NOLA.

JAPAN

M. Tetsujiro SHIDACHI.
Dr. Teijiro UYEDA.
M. Naotake SATO.

LATVIA

M. Ch. BALODIS.

NORWAY

M. N. RYGG.
M. W. WILLUMSEN.

NEW ZEALAND

Sir George ELLIOT.

PARAGUAY

M. Venancio GALEANO.

NETHERLANDS

M. H. COLLIN.
M. J. OUDEGEEST.
M. J. GELDERMAN.
Dr. ZIMMERMAN.
Dr. H. J. LOVINK.
M. M. P.-L. STEENBERGHE.

PERSIA

M. AMID.
M. MOLITOR.

POLAND

M. H. GLIWIC.
M. DOLEZAL.
M. DIAMAND.
M. S. CHMIELEWSKI.
M. E. TREPKA and
M. CYBULSKI (deputies).
M. S. LANDIE.

PORTUGAL

M. F. A. CORRÊA.

ROUMANIA

M. E. NECULCEA.
M. GAFENCU.
M. MURGASIANU.
M. B. CATARGI.

**KINGDOM OF THE SERBS, CROATS
AND SLOVENES**

M. Slavko SEČEROV.
M. Ivan AVSENEK.

SWEDEN

M. J. O. E. RYDBECK.
Prof. G. CASSEL.
M. V. G. LUNDAVIK.
M. J. O. JOHANSSON.

SWITZERLAND

M. L. DUBOIS.
M. STUCKI.

TURKEY

His Excellency HASSAN Bey.
Moustafa CHÉREF Bey.

URUGUAY

M. Pedro COSIO.

U.S.S.R.

M. V. OBOLENSKI-OSSINSKI.
M. L. KHINCHUK.
M. M. KAUFMANN.
M. E. VARGA.

UNITED STATES OF AMERICA

Mr. Julius KLEIN.
Mr. Norman H. DAVIS.
Mr. John W. O'LEARY.

VENEZUELA

M. M. T. ARREAZA.

Members nominated by the Council:

Mr. H. T. MAY (Great Britain).
Mlle. E. C. VAN DORP (Netherlands).

International Chamber of Commerce:

Dr. K. KOTZENBERG.

Experts invited by the Chairman of the Conference:

M. Jules BRUNET.
M. F. MAURO.
M. RÉVEILLAUD.

Observers:

M. Enrique NARVAEZ.
M. Salvadrez PRIETO.

FIRST MEETING

held on Monday May 9th, 1927, at 10.30 a.m.

Chairman : M. COLLIN (Netherlands).

1. — ANNOUNCEMENT BY THE CHAIRMAN.

The Chairman, in opening the meeting, cordially welcomed the members. The Conference was now about to begin to study the more detailed aspects of the general questions debated during the plenary meetings of the past week. All members were anxious to arrive at results which would be recommendable from a practical point of view, and hence it would be wise to concentrate on certain points on which action could be recommended to the League. If members would remember the old French proverb, "Qui trop embrasse mal étreint", they would realise that restriction was as important as careful work. The President of the Conference had announced his intention of closing the Conference on May 21st, though he had left open the possibility of an additional week. In order to meet the President's wishes, the Committee should present its report not later than Monday the 16th, and this implied that the Committee should, if possible, conclude its work by Saturday the 14th.

2. — ELECTION OF VICE-CHAIRMEN AND RAPPORTEURS.

On the proposal of the Chairman, the following were elected Vice-Chairmen :

Mr. Walter RUNCIMAN (International Chamber of Commerce) ;

M. RYDBECK (Sweden).

On the proposal of the Chairman, the following were elected Rapporteurs :

Mr. Norman DAVIS (United States of America) ;
M. GÉRAUD (Belgium).

3. — QUESTION OF APPOINTMENT OF A CO-ORDINATION SUB-COMMITTEE.

The Chairman pointed out that the work of the different Sub-Committees would require co-ordination with a view to the final drafting of the report to be submitted to the plenary Conference. For this purpose he suggested that the Committee should give him powers to appoint, at a later stage, a certain number of members to co-operate with himself and the Rapporteurs in the drafting of the report.

4. — APPOINTMENT OF SUB-COMMITTEES.

The Chairman proposed that three sub-committees should be set up to correspond to the first three groups into which the agenda of the First Committee (Commerce) had been divided by the Preparatory Committee. The First Sub-Committee would deal with Item 1, "Liberty of Trading"; the Second Sub-Committee with Item 2, "Customs Tariffs and Commercial Treaties";

and the Third Sub-Committee with Item 3, "Indirect Methods of protecting National Commerce and Shipping".

With regard to the work of the First Sub-Committee, he reminded the Committee that sub-item (a) of Item 1, "Import and export prohibitions and restrictions", had already been fully examined by the Economic Committee of the League, which had made recommendations to be found in document C.E.I. 22, "Abolition of Import and Export Prohibitions and Restrictions". With regard to sub-item (b), "Limitation, regulation, or monopolisation of trade", these questions might possibly be linked up with the question of restrictions. The documentation on this subject was remarkably limited; the question of the monopolisation of trade, however, seemed to merit an important place. Sub-item (c), "Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another", involved a problem which merited very thorough investigation by the First Sub-Committee.

With regard to the subjects which he had proposed should be referred to the Second Sub-Committee, these should be regarded as forming a single unit, and should be studied from the point of view of common interests as well as from the strictly economic point of view, account being taken of the principles governing the commercial policy of the different countries. The problem of "Customs nomenclature and classification" would require especially careful study, as well as that of the most-favoured-nation clause, even if only with the object of indicating the ultimate method by which these problems should be examined. It might possibly be found useful to set up a special sub-committee or even special sub-committees of the Second Sub-Committee.

The Third Sub-Committee would have to deal with certain questions of a rather different character though sufficiently similar to be linked up with the previous questions as indicated in the agenda. With regard to sub-item (c), "Discrimination arising from the conditions of transport", it was not the Preparatory Committee's intention that the agenda should comprise the general problem of transport, since this was a question that had been entrusted to a permanent organisation of the League. The Preparatory Committee had suggested that the Conference should study this matter from the point of view of the effects of discrimination in transport rates upon the development of international trade.

The Chairman assumed that all members of the Committee would agree that there was no good reason for appointing a sub-committee to consider Item 4, "Repercussion upon international commerce of reduced purchasing power". This subject, which was of a general character, had been examined either in the documents submitted to the Conference or in the preliminary discussions. It should, however, be borne in mind during the general discussions of the Committee and also in the reports from the Sub-Committees.

Sir Norman Hill (British Empire) said that generally he was in full agreement with the Chairman's proposals. The Committee, however, must bear in mind the very close relationship between the subjects to be examined by the different Sub-Committees. From first to last the closest co-operation and co-ordination would be essential between the Sub-Committees. He would utter a warning against laying down with too great precision what were to be the predominant points to be investigated by each Sub-Committee. For instance, to his mind Item 1 (b), "Limitation, regulation or monopolisation of trade", was of almost equal importance with Item 1 (c), "Economic and fiscal treatment of nationals . . .", especially as the former raised a problem which occupied an important place in many of the documents of the Conference. Under the former heading came the question of cartellisation.

Sir Norman Hill pointed out that, for examining Item 1 (c), the Committee would require an important document which was referred to in the agenda, but which had not yet been distributed, the "Memorandum on the Economic Work of the League of Nations"¹. The plenary Conference had discussed many points in which the impression might have been conveyed that the economic work of the League was non-existent, and it was extremely important for the Committee to have the document to which he had referred.

With regard to the work of the Second Sub-Committee, he drew attention to the capital importance of close co-operation between that Sub-Committee and Sub-Committees 1 and 3, and, moreover, with the Committees on Industry and Agriculture. The Second Sub-Committee should constantly bear in mind the effect of tariffs on the production of raw materials. He was referring not to the effect of export or import duties levied on raw materials but to the duties levied on the commodities which the producers of raw materials received in payment for their products. At the meetings of the plenary Conference, special attention had been drawn to the primary importance of free access to raw materials. The importance of permitting producers to have access to the commodities they required in return for raw materials must also be born in mind.

In conclusion, while generally concurring in the Chairman's proposals, Sir Norman Hill submitted that the Sub-Committees must be given powers to delegate certain subjects to special sub-committees.

The Chairman said that the memorandum referred to by Sir Norman Hill was printing and would be distributed on Wednesday, May 11th. He agreed that it would be unwise to lay down hard-and-fast rules for the Sub-Committees, which would meet the following morning and would then be able to make all arrangements for their work. With regard to the question of co-operation between the Sub-Committees, the Chairman pointed out that he had already requested and received powers to appoint, if necessary, a special sub-committee for the purposes of co-ordination. He would convey Sir Norman Hill's observations concerning co-operation among the different Committees of the Conference to the President, M. Theunis.

The proposals submitted by the Chairman with regard to the creation and the work of the Sub-Committees were adopted.

¹ This was distributed later.

The Chairman announced that lists would be circulated, on which the delegations would be requested to enter the names of the members chosen to sit on the different Sub-Committees. If any member wished to sit on more than one Sub-Committee, he could do so by asking permission of its Chairman to be represented by an expert in the event of two of the Sub-Committees meeting simultaneously. It would, however, be desirable if the delegations could distribute their members over the different Sub-Committees so as to allow each country to be represented, so far as possible, on each Sub-Committee, subject, however, to one proviso. The Committee enjoyed the great privilege of having among its members some who had a real knowledge of certain questions, namely, the members of the Economic Committee of the League, and it should be specially borne in mind that the Second Sub-Committee could scarcely dispense with the assistance of the members of the Economic Committee.

The Chairman intended to leave the afternoon free for a general discussion on the whole subject of Commerce, as indicated on the agenda, and this would be the only opportunity for a general discussion, as the Sub-Committees, which would be requested to submit their reports to the Bureau not later than Friday, May 13th, would have to start work on the morning of the next day, Tuesday, May 10th.

The Chairman said that he had received a suggestion from M. Khinchuk, of the delegation of the Union of Socialist Soviet Republics, that, in view of the close connection between subjects of the different Sub-Committees, the latter should meet at different hours of the day. The Chairman regretted that he did not think it would be possible to fall in with this proposal.

M. Loucheur (France) supported the proposal of M. Khinchuk. He thought it quite possible to make arrangements whereby the First and Second Sub-Committees would not meet simultaneously. One of them, for instance, might meet in the morning and the other in the afternoon, or one from 3 p.m. to 5 p.m. and the other from 5 p.m. to 7 p.m. This possibility had recurred constantly at League meetings and the question had been solved in the sense indicated, thus enabling members of committees to attend the proceedings of two sub-committees in succession.

The Chairman, in reply, said that he would do his utmost to meet the wishes of the "father of the Conference". He pointed out, however, that there was a shortage of committee-rooms in the offices of the Secretariat and that discussion was easier in a small committee than in a larger one.

5. — A RELIEF MAP OF EUROPEAN TARIFF WALLS: LETTER FROM SIR CLIVE MORISON BELL, M.P.

The Chairman read a letter from Sir Clive Morison Bell inviting the members of the Committee to visit the relief map of European tariff walls at any time convenient to them, when the general public would be excluded. He took it that he might thank Sir Clive Morison Bell for his offer and say that the members would be glad to have an opportunity of seeing the map.

6. — DEATH OF M. CYRILLE POPOFF: LETTER FROM THE BULGARIAN CONSUL-GENERAL.

The Chairman read a letter from the Bulgarian Consul-General at Geneva inviting the Conference to be represented at the requiem for the late M. Cyrille Popoff, Bulgarian delegate at the Conference, to be held at the Russian Church on Monday, May 9th, at 6 p.m. M. Theunis, President of the Conference, would represent the Conference and would place a wreath upon the grave.

7. — GENERAL DISCUSSION.

M. Serruys (France) explained that, after having hesitated for a moment, he had come to the conclusion, with the majority of members, that a general exchange of views on commercial matters was indispensable. It was of importance that certain delegations with definite schemes for proposal should have an opportunity of showing that they were anxious to co-ordinate these various schemes, and to take account of the common views expressed by other countries.

He would begin by saying in what manner he thought the work in Geneva should be carried out. He was speaking not as a representative of his country but in his personal capacity. He made this distinction because, in his view, the Conference was not called upon to pass judgment on the existing state of affairs, but to pave the way for a system that would be common to all. Members should speak not in defence of a system already existing, but in order to pave the way for a system which would make it possible in the future to do away with existing difficulties. What should be submitted was not a compromise between the legislation of particular countries, but a new special scheme which would lead to the freedom of the world's commerce. "Consequently", continued M. Serruys, "if I propose that you should adopt a special system, do not ask: Is there one in existence already in France? Has France tried it out?"

The second reason for which M. Serruys adopted the attitude of a mere participant in the Conference, and not that of an official delegate of France, was because there was no question for the moment of finding solutions limited to any particular part of Europe or to any particular country, but solutions which could be incorporated in an international charter of international trade.

The momentary situation in a particular area could obviously influence the adoption of a common system, and it was obvious that, when certain States had been re-grouped in consequence of the modification of certain frontiers, obstacles had arisen in Europe which, had they not been removed by successful negotiation, would have certainly caused serious unrest. What the Committee ought to seek, however, was a method to show the Economic Conference in the first place, and the League of Nations in the second, the various stages by which in ten, fifteen or twenty years a change might be made in Europe in the direction of the views expressed at the present meeting.

What the Conference must be asked to do was not to make up-to-date compromises or to achieve solutions for existing disputes, but merely to establish an order of priority for the solutions, the realisation of which it would recommend to the Council of the League.

It was in this sense that the French delegation had prepared its proposals and would submit and defend them.

The primordial, or at least the principal, question among those submitted to the Committee was the question of liberty of trading. Then came the

question of common nomenclature and tariffs. On these three points, M. Serruys would desire to submit three different proposals. Before he did so, he wished to explain the special form which he had given to them.

In his view, the Conference ought to do two things during its proceedings. It ought first to establish a doctrine — this was of capital importance, first in order to justify its resolutions and then because there were doctrines which, although not the mere result of definite resolutions, nevertheless exerted a real influence. The Brussels Conference, for example, had had considerable effect on the financial reconstruction of Europe by establishing a doctrine which pointed out the road to be followed. Secondly, the Conference ought to suggest what it thought could be accomplished by following that doctrine and the reasons for which this was possible.

From this point of view, he had adopted for the proposals he would present a somewhat special and perhaps displeasing form under which each recommendation was preceded by a preamble stating the supporting arguments. He therefore submitted the following resolutions:

" A. *Freedom of Trade.*

"Whereas the restoration of freedom of trade is the first condition for the reconstruction of Europe;

"And whereas import and export prohibitions and restrictions have not merely vitiated the conditions of international competition and endangered the supplies of certain peoples and the essential markets of certain others, but also led, in the very countries which enforce them, to an artificial system of production, consumption and wages;

"And whereas the damage inevitably caused to national economic life and international trade by prohibitions and restrictions is not justified — as the experience of the years since the war has clearly shown — by the financial advantages or the social progress anticipated by the countries which introduce them;

"And whereas the prohibition of imports or exports can only be an exceptional measure taken to meet the gravest emergencies or to protect the national interests when threatened by the introduction of an abnormal system by other countries, and such exceptional measures should be confined to specific cases and accompanied by effective safeguards;

"The International Economic Conference recommends:

"(1) That the draft International Convention for the Abolition of Prohibitions and Restrictions, as drawn up by the Economic Committee of the League of Nations and submitted to the Governments Members of the League and to the principal States non-Members, be submitted with the least possible delay to a diplomatic conference, in order that as many countries as possible may, by concerted and simultaneous action, bring about the necessary conditions for the restoration and development of production and trade in all countries;

"(2) That the supply of raw materials for all countries be not subjected to restrictions or differential conditions by means of export duties designed either to impose an excessive burden on the foreigner using such materials, thus placing him in a position of inferiority in regard to the production and sale of the manufactured

product, or to force the foreign consumer to pay a bounty on national production, or to maintain the price of a raw material when free competition would tend to reduce it ;

“ (3) That the method of maintaining the prices of goods exported by means of a system of quotas designed to prevent any fall in prices owing to a glut should only be allowable as a means of regularising conditions, and only so far as it is necessary for the safety of national production, but not as a means of placing an undue burden on the consumer ;

“ (4) That if, on the other hand, there is a shortage of the goods exported and if the introduction of a quota system is intended to protect the national supply, no arbitrary preference be shown in granting the quotas, and any differentiation between home and foreign prices be avoided as far as possible ;

“ (5) That freedom of trade be not hindered by the control of the foreign exchange market in the form of prohibiting the purchase of foreign exchange for imports, or of prohibiting the export of foreign exchange even in payment for goods imported.

“ B. *Standardisation of Nomenclature.*

“ Whereas a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection ;

“ And whereas it is vitally important to international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names ;

“ And whereas every Customs classification should be as objective as possible, lest it should become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country ;

“ And whereas a single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and the tariff rate attached to each such stage or type is the means of establishing a graduation of duties in proportion to the value of the goods, the amount of work embodied therein, and the degree of protection which a country desires to give to a certain product in accordance with its conception of national economy ;

“ And whereas, since a single nomenclature could thus be adapted to different tariff theories, the adoption of a common nomenclature would remove one of the most definite obstacles to international trade ;

“ And whereas the experiment of a nomenclature agreed upon among certain nations for products of special complexity has so far yielded satisfactory results and promoted the development of their mutual relations ;

“ And whereas the common adoption of an agreed nomenclature would promote the conclusion of commercial treaties and would prevent their application from becoming the subject of perpetual disputes ;

“ The International Economic Conference decides to request the League of Nations :

“ (1) That the study of a systematic nomenclature be undertaken with the help of all

the competent services of the League of Nations, and, if necessary, that producers, traders and Customs authorities be consulted jointly, in accordance with a general plan covering all branches of production ;

“ (2) That a selection be made and an order of priority fixed among the various branches of production, so that the common nomenclature may be gradually established, beginning with those classes of goods for which it can most readily be introduced ;

“ (3) That the common nomenclature established in the manner described above be submitted, as and when its parts are prepared, to the Governments, and through them to the producers and traders concerned ;

“ (4) That if it should appear, after the study and consultation referred to in the previous paragraph, that a common nomenclature for various important branches of production can be arrived at without awaiting the establishment of a complete nomenclature, its adoption be proposed at a diplomatic conference of Governments ;

“ (5) That, either by bilateral agreements or by a multilateral convention, Governments undertake to employ this common nomenclature in their relations and to bring their methods of Customs clearance and collection of duties into line with it ;

“ (6) The Governments which have adopted the common nomenclature undertake, by bilateral agreement or by a multilateral convention, not to interfere with its application by arbitrary or discriminative specifications ;

“ (7) That disputes concerning the interpretation or application of the undertakings referred to above be dealt with by way of amicable settlement, or, failing this, by an arbitral award rendered in virtue of an arbitration clause or of a judgment of the Permanent Court of International Justice, sitting for that purpose with the assistance of specialist assessors.

“ C. *Tariffs.*

“ I. *Stability of Tariffs.*

“ Whereas one of the most formidable obstacles in the way of establishing permanent and secure economic relations between nations is the instability of tariffs ;

“ Whereas this instability is not only a cause of serious difficulties and disputes in carrying out commercial contracts, but also an obstacle to their conclusion and to the activities of the representatives of the production or trade of one country established in the territory of another country ;

“ Whereas if the necessities of economic reconstruction or the fluctuations of their currency have led certain States to modify their tariffs at short intervals, these States must surely recognise that such changes are really incompatible with the security of trade, on which the maintenance of their trade balance depends, and with the stabilisation of their currency, in which the equilibrium of their trade balance is an essential factor ;

“ Whereas even in cases in which monetary instability modifies the incidence of Customs duties — that is to say, the relation of the fixed duty to the value of the goods expressed in national currency — that incidence may be

automatically regulated by the levying of duties on a gold basis or the periodical adjustment of Customs duties to an official index figure of prices ;

“And whereas it would be highly desirable that explicit guarantees ensuring the stability of tariffs should be embodied in treaties of commerce, the equitable application of which is constantly menaced by unilateral tariff modifications made by one of the contracting parties ;

“The International Economic Conference expresses the hope :

“(1) That States will make it a rule only to introduce tariff changes at long intervals, after announcing such changes sufficiently in advance to avoid any sudden rupture of relations after some unexpected change or the speculative acceleration of purchases in view of changes expected shortly to occur in the Customs tariff ;

“(2) That States should, by means of long-term conventions, furnish each other in regard to this matter with effective guarantees based either on the consolidation of the rate of the duties or, if the economic or monetary position of a contracting country is not sufficiently stable to allow of such consolidation, on the properly guaranteed maintenance of the incidence of the tariffs ;

“(3) That, if States do not think it possible to contemplate engagements of this nature in regard to certain branches of their industries, they should define in their internal legislation the manner and the conditions in which any future changes in their tariffs would be effected so as to guard established traders against the possibility of unexpected and arbitrary action.

“ II. Level of Tariffs.

“Whereas Customs barriers have been continuously raised since the war and the economic stagnation of Europe is in part attributable to this cause ;

“Whereas, though every State should retain as one of the indefeasible privileges of its sovereignty the right to adjust its tariffs to suit the requirements of its economic life or its finances, it is none the less certain that there is a close dependence between the degree of Customs protection which the various competing countries resort to and this interdependence affects their economic policy ;

“Whereas unnecessarily high Customs protection has in many countries created or maintained industries which are not viable, thus imposing an intolerable burden on the consumer or interrupting the normal currents of supply or leading to European overproduction ;

“Whereas the effect of excessive Customs duties, even when designed to protect healthy industries, is in many cases to spoil the market by allowing the accumulation on the national market of reserve profits which can be used for purposes of artificial competition on foreign markets ; and

“Whereas such action is one of the most dangerous causes of economic or political strife between nations ;

“The International Economic Committee recommends :

“(1) That States, subject only to the requirements of their national security or the vital interests of their economic life, should as far as possible give their industry protection

limited to counterbalancing more favourable conditions of production or a more advantageous regime of prices in the principal competing country ;

“(2) That States, recognising the interdependence between customs protection in the various competing Countries, should refrain from unduly increasing such protection, with a view both to restoring European protection and maintaining a profitable trade ;

“(3) That States should themselves refrain from and, if necessary by concerted legislative action, prevent tariff dumping, which tends to injure export conditions by means of unduly heavy import duties ;

“(4) That the Council of the League should, with regard to this last point, conduct enquiries with a view to the eventual conclusion of an international agreement for its suppression.

“ III. Application of Tariffs.

“Whereas each State must be left free to choose between the *ad valorem* tariff and the specific tariff according to circumstances ;

“Whereas, in the case of *ad valorem* tariffs, the principle of which is outwardly the most equitable, disputes often arise concerning the true value or current level of prices in the country of origin, or the valuation of similar products in the importing country ;

“Whereas, in the application of specific duties of which the nomenclature is necessarily incomplete, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article ;

“And whereas, though importers may be entitled to the equitable application of tariffs, Governments are also entitled, both for the purpose of safeguarding their national economy and their revenue and for the purpose of assuring fair conditions of international competition, to protect themselves against false declarations regarding the value, nature or origin of the imported products ;

“The International Economic Conference recommends :

“(1) That, for the application of *ad valorem* duties, the Economic Committee of the League should begin to consider what would be the most appropriate methods — both in the case of duties levied on the value in the country of origin and in the case of duties levied on the basis of the value of similar products in the country of destination — to avoid inquisitorial procedure or arbitrary methods of appraisal, either of which are intolerable for international trade ;

“(2) That for the application of specific duties States should make provision, in case of dispute, for equitable procedure — appeal to administrative or ordinary Courts in which the importer can claim or defend his rights by producing proof or demanding such expert examination as may be necessary ;

“(3) That States should, by definite stipulations in commercial conventions, endeavour to limit the difficulty of applying duties so that trade may acquire that security without which it can neither develop nor even be maintained.

“(4) That, either by means of the draft International Convention now being considered by the Economic Committee of the League of

Nations, or by some other appropriate method, States should endeavour to institute jointly, in the most efficient and least irksome manner possible from the point of view of trade, guarantees

for the correctness of Customs declarations, or concerted action with a view to suppressing fraud."

SECOND MEETING

held on Monday, May 9th, 1927, at 3 p.m.

Chairman : M. COLIJN (Netherlands)

1. GENERAL DISCUSSION (Continuation).

M. Serruys (France), resuming his explanations, took up the question of the unification of nomenclature.

This reform appeared a few years ago to be impossible. It had been suggested in a more limited field, namely, the unification of Customs statistics. The fact that this reform was now regarded, though difficult, as being necessary was an encouraging sign.

Industry, well in advance of the Governments, had understood the advantages of such a course. An eminent French industrialist had, in agreement with other industrialists, established two years ago, by a co-operative arrangement between France and Italy, a common nomenclature for the silk industry. A few months later the German silk industry had recognised the importance of this scheme, and a congress held at Paris last year had laid down the principles for a European nomenclature for the silk industry.

What had been done for silk could also be done for cotton, wool, and for the metallurgical industries. He would refer in this connection to the scheme which he had submitted at the first meeting of the Committee.

He would remind the Committee of the proposals submitted on May 7th by M. Loucheur. If commercial disputes were submitted more frequently to international jurisdiction, it was essential that these jurisdictions should be able to give decisions in commercial matters. The International Court, when dealing with transit questions, was assisted by technical assessors. If treaties of commerce, tariffs and questions of nomenclature were referred to the Court, it would be necessary for it to have the assistance of technical assessors in dealing with these matters.

The intention of the French delegation was to carry into effect all that was practically possible, even though it were necessary to limit this work to a portion of the building to be constructed. The Council would subsequently be asked to continue the work undertaken, so that a few years hence the entire building might be completed.

With reference to tariffs, he thought it was impossible not to touch upon one of the burning questions, which was the level of tariffs.

The first question was that of stability. If Europe desired to restore her commerce, she must be able to rely upon tariffs which lasted at least five or six years. The draft resolution submitted by the French delegation was intended to provide guarantees in this connection by indicating to countries which had not yet established their

Customs or their currency on a stable basis how they might give certain undertakings.

The level of tariffs could not be left out of account. It was not intended in the resolution submitted to suggest any interference in the domain which the States regarded to be a matter for their individual sovereignty. Nevertheless, the Conference must put Europe on her guard against the high tariff movement. There was between the tariffs of different countries an undoubted interdependence. When a State raised its tariffs, the competing State was obliged also to raise its own. In this matter, however, it was not proposed to intervene in detail, but merely to give general advice and to propose a general resolution.

The last question was that of the application of tariffs. There were two kinds of tariffs, specific-rate tariffs and tariffs *ad valorem*. America preferred tariffs *ad valorem*, and it was her right to do so, just as it was the right of the European countries to prefer, generally speaking, specific tariffs. This was a question of sovereignty.

It was necessary, however, that these tariffs should be applied equitably, and in such a way that they might not be daily obstacles to commerce.

It was uncertain whether the value of the goods in the country of origin or that in the country of destination would be taken as the basis of valuation, and a decision was often arbitrary. The verification of prices in the country of origin was the cause of much inquisition and dispute.

There were obviously guarantees which might be provided in this matter, and such was the intention of the draft resolution.

M. Serruys read that section of his draft resolution dealing with the stability of tariffs. (The resolutions are printed above, at the end of the Minutes of the first meeting).

He would conclude by saying that he had asked to be allowed to speak first, not with the intention of insisting that the work of the Conference should proceed on certain lines, but only with the desire to show how it might be possible to group the arguments which would underlie the adoption of the doctrines and resolutions of the Conference, and in order to emphasise that these resolutions should be drafted clearly and in accordance with a definite order of priority for the various questions.

He would also remind the Committee that, in order to render its work fruitful, it would be necessary to contemplate not only immediate measures of application, but other measures of application which would be progressive.

Dr. J. K. Paasikivi (Finland) regretted that the draft proposals of M. Serruys which would serve as

a basis for the discussions of the Committee had not been sooner distributed, and he feared that the Conference would hardly have time to study them in the short period at its disposal. The members of the Conference had examined the various proposals which had been forwarded to them during the last few months, and particularly the report of the Trade Barriers Committee of the International Chamber of Commerce.

The report of the Trade Barriers Committee contained drafts of two collective conventions, one dealing with passport visas and the liberty of foreigners to reside or establish themselves abroad, and the other with the treatment of foreigners. In principle, he agreed with the Trade Barriers Committee in asking for the suppression as far as possible of the compulsory visa for passports. This object, in many cases, might be achieved by means of collective conventions. There were, however, cases in which an individual convention between States would be preferable, and he thought it would be better to leave Governments free to choose the form which appeared to them to be most adequate.

The question of the rights of foreigners was infinitely more complicated and it varied in importance according to the countries concerned.

The Committee on Trade Barriers had laid down the principle that foreigners, with few exceptions, should enjoy the same rights as nationals. The exceptions contemplated included, in particular, the exploitation of mines and water-power, which was reserved for nationals.

But, in Finland, the exploitation of forests had an importance at least as great as the exploitation of mines and water-power, in view of the fact that Finnish exports consisted almost entirely of timber, and that these exports paid almost entirely for the imports of the country. Finland, finding that timber tended to be more and more exported as raw material owing to the Customs systems of certain countries, had been obliged to levy export duties in order to discourage exports in this form. It was desirable that it should not be necessary to resort to such methods, and that the difficulty should be solved in another way.

The question of the rights of foreigners, and particularly their right to possess landed property, should be examined with great care in certain countries. The proposal of the Trade Barriers Committee provided for a system of reciprocity, but for small nations, where capital was scarce, this provision was much less important than for big nations. It was difficult for various reasons to lay down a general rule for the solution of this question, but there certainly existed in this field barriers which might be abolished, and he was therefore glad that the examination of this question had been placed on the agenda of the Conference.

M. Dubois (Switzerland) first thanked M. Serruys for his proposals, which would constitute a very valuable guide for the Conference. He would merely submit two observations.

Without denying the excellent effect of the Brussels Conference — and reference might also be made to the Genoa Conference — he thought that, in reality, the motives which had decided the States to return to normal economic and financial principles had been the dangers of inflation and necessities of a financial character.

M. Serruys, while recognising the necessity of immediate measures, had declared that, if any sound work was to be done, the application of all the general principles to which he had referred could not be effected before the lapse of ten or fifteen years. At present, however, the world was changing rapidly. No one knew what would be the position in ten or fifteen years' time, and it was

necessary that the remedies should be applied as rapidly as possible. It was essential that the Conference should not be content with theoretical studies, to bear fruit only after a long period, but that it should act more quickly.

M. Serruys, in dealing with liberty of trade, had said that the house was on fire. This expression should be remembered; it was especially true with regard to Customs tariffs and commercial treaties. New Customs barriers were continually being erected in the name of the national sovereignty of the countries concerned, and States, practising the policy of super-protectionism, were creating artificial industries which were not in any way justified by the needs of the country, to which they were in fact prejudicial.

For this reason, he thought it was indispensable, in order to protect the European economic system, that the Conference should draft resolutions for immediate application, and he was convinced that M. Serruys would be the first to participate in this work to the utmost of his ability.

M. Dolezal (Poland) reminded the Committee that M. von Siemens had emphasised that they must not go too fast. M. Serruys had also just said that the task undertaken by the Conference could not perhaps be finished for several years. He was glad to note this spirit of moderation, which was also clear in the work of the Economic Committee of the League of Nations. It was necessary to avoid precipitate action, which would not yield practical results.

He regretted with M. Dubois that the examination of the questions of exchange and the circulation of capital had not been included in the programme of the Conference. He would venture in the Sub-Committees to emphasise the relations which existed between such questions as import and export prohibitions, the stability of tariffs and the duration of commercial conventions on the one hand, and the question of emigration and immigration on the other.

It was sometimes thought that the industrialists were responsible for high Customs tariffs. It had sometimes happened, however, that the agriculturists went even further than the industrialists. The position created by sanitary regulations in respect of cattle must not be forgotten.

Reference had been made to the necessity of increasing purchasing power, but how could the purchasing power of agricultural countries be increased if, under the form of sanitary protection, an insurmountable wall were raised to the export of their produce?

He would submit a resolution on this subject on behalf of the Polish delegation.

He would collaborate in the work undertaken on behalf of freedom of international commerce, endeavouring to throw light on these questions from the point of view of the emigration problem and the financial problem.

Professor Cassel (Sweden) said that all members agreed that the present conditions of international trade were extremely unsatisfactory. The Committee had been appointed to advise on the means for bettering those conditions.

At a plenary meeting of the Conference, Mr. Layton had described very clearly the great dislocation which had occurred in the world's economy since pre-war times. This dislocation was the cause of very grave difficulties and particularly of the unparalleled unemployment existing in Europe. The only way to overcome these difficulties within a reasonable time was to give private enterprise the greatest possible freedom of movement. Therefore, the first task would be to improve

as soon as possible the world's economic structure, the defects in which were an obstacle to international commerce. The Committee could not be content with drawing up schemes for an international trade policy to be applied ten or fifteen years hence. The millions now unemployed would feel very little comfort in such recommendations.

Practical results could most easily be attained if the Committee started with the series of recommendations drawn up by the Trade Barriers Committee of the International Chamber of Commerce. These recommendations would certainly be very valuable to the Sub-Committees in their work. He regretted that the agenda of the Conference omitted certain important questions. He hoped that the Chairman would grant an opportunity of taking up in each Sub-Committee such questions as were most closely connected with their work. For instance, the Second Sub-Committee should have an opportunity of discussing the unsatisfactory ways in which Customs tariffs were actually applied. It was not to be hoped that the Committee would unite in a general recommendation of free trade, and, even if it could, such a recommendation would have little practical value. There was, however, an overwhelming majority for the condemnation of excessive tariffs and of all other obviously exaggerated means of protecting particular branches of production. It would be useful if the Committee could arrive at a resolution stating positively that a division of labour would be a great advantage for all nations, and that no country should try by unreasonably high Customs duties to acquire a trade that was so unnatural to it that it could not exist except under a policy of super-protection.

M. Ramsay (Finland) hoped that all members alike were anxious to remove trade barriers, but if the present condition of the world were to be improved on a national basis, the different national conditions would have to be taken into consideration. Finland, he pointed out, was the most northerly country in the world taking an active part in the world's trade. Her economic life was carried on under hard conditions. The winter was long and the harbours were blocked by ice for many months; steamers had to force their way through in order to keep up connections with Western Europe. These steamers had to be provided with special appliances, the installation and upkeep of which were costly, and it was therefore only fair that those extra costs should be taken into consideration in connection with subsidies. Their shipping had enjoyed practically no subsidies, and it would be necessary to provide for the possibility of giving subsidies to shipowners who fitted up their vessels specially for service in the northern seas. Therefore, he would have to make a reservation on this point when the question of subsidies came under discussion.

Moreover, 95 per cent of the Finnish mail to foreign countries was carried over the North Baltic and then via Sweden. This mail line was served, under very hard conditions in winter, by Finnish and Swedish steamers. Finland would therefore have to reserve a right to give Swedish mail steamers special favours with regard to dues, pilotage and so forth.

There was then the question of trade with Estonia. For hundreds of years, Estonian farmers had brought their products in small sailing craft to the Finnish towns, and Finnish fishermen sailed to the markets in Estonia. This trade between Finland and Estonia was based on geographical conditions and was historically of great importance. It would be unwise to hamper this trade, and it

seemed only fair to give this special trade of small producers special privileges by the application of what his Latvian colleague had called the "Baltic Clause", a clause drawn with no intention of diminishing the advantages accorded to other countries, but with the aim of developing a special local trade between the small countries on the Baltic.

Finland had no restrictions of imports, within the meaning of the Report of the Trade Barriers Committee. She was, however, a "dry" country, and had adopted prohibition. He was pleased to note that countries such as Italy, France, Spain and Germany took into account the necessity for such legislation when negotiating for the conclusion of commercial treaties. Such a restriction as prohibition was evidently regarded as falling within the category of social measures adopted for reasons of public health.

His countrymen were prepared to accept the high and just ideas formulated by the Conference. He had only wished to give some examples from a small country in the North to show that in the framing of the draft Convention differences in geographical and climatic conditions should be taken into consideration.

M. Brieba (Chile) read a proposal to the effect that an international credit institution should be established with a view to facilitating and improving the market for capital in order that the economic development of certain countries should be facilitated and the cost of living reduced. He added that the delegation of the Kingdom of the Serbs, Croats and Slovenes had a similar proposal in view for making it easier to obtain capital for agriculture. Certain other delegations had envisaged the necessity for cheaper capital in order to increase production and to reduce the cost of living. It was an indisputable fact that a fall in the cost of living depended on an increase in production, that was to say, in the utilisation of all available resources, which could not be achieved without cheap capital. The creation of an international credit institute might also contribute to the maintenance of peace in the world, since the denationalisation of capital would prevent it from being accompanied by the national flags of capitalists. He would submit the following proposal:

"The Economic Conference decides to recommend the Financial Committee of the League to study the system of an international credit institution with a view to collecting directly the money which is dispersed about the world and lending it to countries which require it in order to develop their means of producing articles of primary necessity."

M. Léon Khinchuk (U.S.S.R.) said that, among the various proposals submitted to the Conference for the development of commercial relations between the various countries of the world, the most important was the proposal dealing with the suppression of export and import prohibitions and of Customs barriers.

Various nations possessed different interests which made it necessary for them to draw up measures which should not be contrary to the development of their own economic organisation and which should at the same time do away with the more important hindrances to the commercial and economic relations of States. The preparatory work of the Conference had not taken account of these circumstances.

The principles of foreign trade were determined by the conditions of each country taken

individually. The principle of free trade corresponded to the interests of the highly developed industrial countries. As far as tariffs were concerned, great industrial countries which depended on strong monopolistic trusts uniting the whole of their industry possessed interests different from those of agricultural and new colonial countries. The suppression of Customs duties would mean the development of trade in certain countries and also the complete economic dependence of weak countries on strong industrial countries. All countries, including colonies, should be allowed full freedom to achieve their economic development.

Those who proposed complete freedom of trade and the abolition of Customs duties did not take account of another important factor, which was that there were two economic systems in existence — the capitalist system and the socialist system of the U.S.S.R.

The foreign trade of capitalist countries is regulated more and more on a system of private monopolies. It could be said that such a system undoubtedly did not mean freedom of trading.

The trade system of the U.S.S.R. was based on the idea of State monopoly. Only the State had the right to import and export. This right was placed under the control of co-operative institutions under the direction of the Foreign Trade Commissariat. Such a monopoly was an integral part of the economic system of the U.S.S.R. Without it any coherent economic plan and the complete socialisation of the economic system of the Soviet Republic would be impossible.

Nevertheless, this monopoly did not prevent normal trade relations with capitalistic countries. The U.S.S.R. only exported commodities which were not necessary for her own needs; she only imported commodities which were necessary for her needs and in quantities corresponding with her material resources. If the U.S.S.R. enjoyed normal credit relations with capitalist countries, its imports and exports would be larger. The best proof that the commercial monopoly of the U.S.S.R. did not harm the interest of foreign clients was to be found in the fact that a large number of countries had re-established their pre-war import and export relations. Some of them had even increased their share in this trade.

The delegates of the U.S.S.R. were ready to take part in the discussions of the Conference upon all measure which would really help in the development of world economic relations, as far as this was possible under present conditions. They were convinced that the normal development of the world economic system was impossible without the participation of the Soviet Republics.

Economic co-operation with foreign countries was only possible for the U.S.S.R. on the basis of a foreign trade monopoly, and on that basis her delegates were ready to examine any business proposals which would facilitate the development of economic relations between socialist countries and the general world economic systems.

M. Riedl (Austria) said that no country was more convinced than his own of the difficulties of the present situation and of the reality of the dangers referred to by M. Dubois. The equitable division of industries was still more difficult to achieve in small countries than it was in great. Some of these small countries, guided by the example of their neighbours, had been more or less forced to create within their own borders new and artificial industries and to maintain them by artificial measures of protection. These readjustments of the industries and the economics of various countries were, as M. Dubois remarked, connected with great losses of capital and injury to the

industries of those countries, and he agreed that they could not content themselves in the present state of things with an enunciation of principles but that they should seek to take action immediately.

The stability of the whole situation was the main point to be aimed at, not only stability as to the general tariff situation but stability as to international and all that it involved — stability as to the treatment of foreigners abroad, treatment as regarded taxes, Customs formalities, transit and so forth. In these matters stability was of the greatest importance, and he hoped that something would really be done in this direction. All these matters had usually, up to the present, been settled in the different commercial treaties concluded by the countries concerned, and in order to ensure a greater degree of stability he would make the suggestion that these general questions should be taken out of the commercial treaties between countries and be included in general international agreements. The beginnings of a tendency in this direction were already clearly discernible. There was already a General Convention on Transit, a General Convention on Customs Formalities, conventions on the removal of prohibitions, and so on, and he would like to suggest that there should be a further development along that line.

In the suggestions submitted by the International Chamber of Commerce, there appeared to be a good basis on which they could proceed, but the main question, of course, remained — the question of tariffs, both as regards stability and the level of the tariffs concerned.

At the present time this stability could be brought about only by trade negotiations between two countries. Out of two hundred commercial treaties now in force between different European countries, only seven could be considered as long-term commercial treaties, and of these only a few included tariff conventions. The cause of the present instability might be that, if two countries negotiated together, the tendency was for each of them to maintain as far as possible its own system of protection and, in order to avoid this difficulty, common and parallel tariff negotiations should be undertaken by several countries together at the same time, and the principle of publicity should also be taken into consideration with regard to these common and parallel negotiations. One effect of this would be to reverse the tendency for each country to maintain as far as possible its own protective system. The various countries concerned would try to arrive at a minimum of protection.

It was not only the form which was important; but, above all, the mentality, the spirit in which these negotiations were entered into. He would not go into detail, but he would mention that certain suggestions had been made to the International Chamber of Commerce by those with whom he was associated, and that these were before members of the Conference. He would ask that the points of view he had placed before the Committee that afternoon should not be forgotten in the discussions of the Sub-Committees, and he would also ask members to bear in mind that their aim must be to reduce by common effort the insupportably high level of tariffs which was now in force in European countries.

Dr. Trendelenburg (Germany) wished to explain the conception formed in Germany on the duties of the Committee on Commerce. He would first of all associate himself with the thanks addressed by M. Dubois to M. Serruys for his remarkable statement, and for the definite suggestions which it had contained. Those suggestions would certainly

facilitate to a great extent the work of the Committee.

Dr. Trendelenburg was particularly happy to note that M. Serruys had said that one of the fundamental ideas on which his suggestions were based was that they should not concentrate their attention on the past or on the present, but should try to do their best for future developments. In Germany it was generally thought that States in the world at large and in Europe in particular were paying too much attention to the past, and even to the present, and were not sufficiently concerned with construction for the future. He was particularly glad that, at the Economic Conference, they had an opportunity in the economic field that would enable nations to forget the past and present difficulties and to evolve constructive ideas of future development.

As far as the Committee on Commerce was concerned, Dr. Trendelenburg thought that two main tasks devolved on it. It should first deal with the question of the programme, and in this respect he entirely agreed with the observations of M. Dubois regarding the policy of protection followed in different countries.

Several statements on this subject had been made in the full Conference, and the members making them had complained of the maintenance of the pre-war system of industrial protection prevalent in many countries. He was very grateful to M. Dubois for his precise observations on this point.

Dr. Trendelenburg thought that the duty of the Committee in this respect was very clear. It should define the causes of protection, and should try to distinguish between justifiable and unjustifiable causes, while at the same time putting forward practical suggestions easily applicable and easily understood by the general public. In this respect, the suggestions made by M. Serruys might have been a little more precise. It was true he had laid down a general principle, but he had made the two following reservations which had diminished the force of his suggestions :

(1) Economic and political reasons justified the system of protection in certain countries.

(2) Account should be taken of the sovereign rights of nations.

The whole discussion of the Committee affected the question of national sovereignty, but its task was to make recommendations regarding the use of that sovereignty.

The Committee's second task was of a practical nature. After having laid down general principles, it should try to discover how they should be applied. This could obviously only be done slowly, as M. von Siemens had pointed out. But the direction in which to proceed should now be clearly indicated. The achievement in practice of these general principles would gradually be obtained through the organisations of the League of Nations.

The question of the nomenclature and comparability of tariffs was also very important. The unification of nomenclature was also important for manufacturers ; in the case of Germany, for example, production had to be adapted to meet the Customs regulations of many different countries.

As far as import and export prohibitions and restrictions were concerned, Dr. Trendelenburg thought there was general agreement, and he concurred with the views of M. Serruys and of the Economic Committee to the effect that a diplomatic conference should be convened to deal with this question. He also agreed with the

observations of M. Serruys regarding the stability of tariffs.

As to the general clauses of commercial treaties, clauses about the treatment of foreigners, about taxes and so on, he thought it would be better to have an international settlement of all those questions by the various countries at the same time. There should be a unification of the systems of commercial treaties, and M. Serruys would admit that there would have been much less difficulty in Paris in connection with trade negotiations between Germany and France if the two countries had had the same commercial system. If a serious effort were made to do away with the different formulæ employed in the general clauses, he thought a uniform system would very soon be arrived at.

He was glad to have an opportunity of discussing with the representatives of Russia the best means of entering into relations with the U.S.S.R., despite the important differences between the German and Russian systems.

M. di Nola (Italy) said he would like to indicate the direction which the Italian delegation wished to see the work of this Committee take. The statement of M. Serruys and the scheme which he had submitted to the Committee would facilitate its task. A spirit of economic liberalism had been shown by the plenary Conference, and this spirit would also be found in the proposals of M. Serruys. This indicated a general state of mind in favour of freedom of trade. Nevertheless, numerous increases in Customs duties recently made showed that the evil existed, and that it was necessary to find a remedy.

There were two programmes which might be envisaged by the Committee — a maximum and a minimum programme. The maximum programme would consist in making proposals for a convention between several States with a view to establishing a reduction of Customs barriers upon an international basis. It appeared that this programme was more or less impracticable for the present Conference. The minimum programme would be to concentrate the efforts of the Conference on one of the evil features of the present situation, namely, the instability of Customs tariffs, since the frequent changes in tariffs constituted an evil which was perhaps even more serious than their high level.

It would be necessary to examine the question of autonomous tariffs, because the system was responsible largely for the present instability of Customs duties. It appeared possible to entertain the idea, so far as certain countries were concerned, particularly the countries of central Europe, of introducing uniformity into Customs tariffs based on the consolidation of Customs tariffs over a certain period of time. The principle of the payment of the duties in gold would form a useful basis for future progress.

The achievement of uniformity into tariffs would not be of any use unless the most-favoured-nation clause were applied in its widest sense, particularly in the countries of central Europe, because this was the only way of ensuring that as many countries as possible should benefit by any concessions in the reduction of duties which might be obtained.

The Committee should also discuss the unification of Customs nomenclature and the question of export duties. Export duties, which were the exception before the war, were now very generally imposed, and their number should be reduced. In Italy there were very few export duties ; before the war they had seven and now they had eight, and these had no protective intention. Italy required raw materials from abroad, and she

was therefore very much interested in the study of this question.

If this Committee desired to deal not only with the minimum programme, but also to make a further effort in the direction of a wider liberty of international trade, the Italian members would collaborate to the utmost possible extent.

Sir Arthur Balfour (British Empire) said he was very much impressed by the statements of M. Serruys, and highly appreciated the amount of work and time that he had devoted to them; but the documents he had submitted would require close examination, and Sir Arthur Balfour and the members associated with him reserved the right to reserve their opinion until they were considered by the Sub-Committee.

He had listened with great interest to the speeches of MM. Khinchuk and Obolenski-Ossinski, and he had noted with great satisfaction that they believed that the time had come when two very different methods of government and of trading might be able to work side by side with some satisfactory results. He had also noted that one of their main requirements was capital and credit, and he asked himself whether that capital and credit, which might be forthcoming, was not somewhat checked by the fact that the traffic had to go through one great trade monopoly. Confidence was the great key to credit and, in testing whether confidence exists, one had to look at the experiences of the past, the acts of the present and, on this basis, the prospects of the future. He would be very glad if, after these reflections had had due weight in the Sub-Committee, some method could be found which would be equitable and safe and would give confidence for trading with the U.S.S.R. on a larger scale than in the past.

M. Ossinski had also spoken of trade in mandated territories. It should be pointed out that the mandated territories and protectorates for which the British Government was responsible were as open to the U.S.S.R. to trade in as to any other nation, and the capital which had been sent there by his country was just as usable by the U.S.S.R. as by Great Britain. M. Ossinski had also referred to the question of armaments. Everybody in that room would, he was sure, be delighted if the Conference on Armaments about to take place could produce happy results and if the U.S.S.R. would take part in that Conference and assist it in coming to a solution of the problem. After all, in these questions would finally be decided by public opinion, and in the present Conference there was a unique opportunity of influencing public opinion after a thorough examination of the questions before it. He wished to reserve to himself the right at some later date to refer to the Chinese question if he found it necessary to do so.

M. Obolenski-Ossinski (U.S.S.R.) said that he did not propose to reply at once to Sir Arthur Balfour. He would reply only to the questions raised by Mr. Layton. Under what conditions would it be possible for the Soviet Union to restore its commerce to the pre-war level? This question had two sides: (1) how did the Soviet Government think that the development of foreign trade was possible under a system of high tariffs and monopolies, and (2) what were the prospects of such a development?

It was not worth while to speak of high tariffs, since there was a monopoly. In this connection, he thought that the difference between a State monopoly of a certain product and a general monopoly over all products was not sufficiently realised. In a country where trade was freely exercised by private persons, monopolies might entirely disorganise the whole system. Supposing

that the trade monopoly in Russia were abolished, this step would not have any practical result unless the socialist system were abolished at the same time. Sixty-five per cent of the foreign trade of Russia was in the hands of State organisations, assisted by a State bank, which was also a monopoly.

If foreign countries were admitted to participate in the Russian internal market, there would be direct commerce between England and Russia. There would necessarily arise a request for the establishment of a system of English banks, operating in Russia, and this would be contrary to the whole system of modern Russia. To ask for the suppression of the trade monopoly amounted to the same thing as asking for the abolition of socialism in Russia, as the trade monopoly was an expression of the socialist system. One might as well ask for the abolition of capitalism in England.

The Chairman observed that this question was not on the agenda.

M. Obolenski-Ossinski (U.S.S.R.) replied that he had no intention of asking for the abolition of capitalism in Great Britain. The only thing which the Soviet Union requested was that its own system should be preserved, and logic required that, under this system, the trade monopoly should be preserved, since the economic system of Russia was a system of State and co-operative economy. The system was also rational from another point of view, namely, that of a poor country which had been obliged to introduce a regime of strict economy. In Soviet Russia, it was only possible to buy objects of first necessity, and private persons could not be allowed to indulge in any luxury expenditure. He would observe that, under this system, commerce with Germany and the United States had been able to develop in a remarkable way, and that this development had been possible owing to the fact that the system of the foreign trade monopoly presented great advantages from the capitalist and from the private point of view. In fact, the State had possibilities of credit which were much more considerable than those at the disposal of private enterprise.

He would also ask with what country Russia could do business at present if she abolished the monopoly of foreign trade. It would perhaps be suggested that there might be in Soviet Russia English factories such as formerly existed in Canada, but this would not be in the interests of the country. There at present existed an important State organisation which had hitherto fulfilled its obligations with the greatest exactitude. Nothing could be said from the commercial point of view against this organisation, which was giving big orders to firms of other industrial countries. This economic system could not be dissociated from the socialist system. It must be accepted as it stood, and Soviet Russia would oppose energetically any efforts which the Conference might take for its destruction. An understanding could only be realised on the basis of the existing system.

As regarded the other side of the question, he considered that, in view of the advantages of the present system, it might be hoped that there would be a rapid restoration of the conditions which existed in 1913.

In order to restore the foreign trade of Russia to its 1913 level, it was necessary to develop both imports and exports. The development of exports might be brought about in respect of wheat and other cereals, in particular, and subsequently in respect of butter and eggs, and, finally, in

respect of cotton, when the new railway from Siberia to Turkestan was finished.

To carry out this programme, the Soviet Union had need of capital. The Union might carry out the programme by its own resources, but less rapidly than if it could count on capital from abroad. Experience had shown that in five years the Soviet Government had restored its industrial production to the 1913 level, and he hoped that it would be possible to go even further without any considerable help from abroad. The position of foreign trade had not improved in proportion to production, because the peasants had increased their consumption and therefore had to work more than was necessary in 1913 in order to achieve the same results. It was quite possible to develop the production and export of goods from Russia, but in order to achieve a result foreign capital was necessary. Not only could Russia return to the 1913 level, but she would doubtless be able to develop her agriculture much more considerably. The production of petrol and manganese ore was also on the increase, but capital was necessary.

In conclusion, he would repeat that it was certain that, with the aid of foreign capital, Russia would rapidly re-establish an economic position at least equal to that of 1913.

M. B. Catargi (Roumania) explained that Roumania, rich in raw materials, had achieved her national aspirations, and realised the responsibilities incumbent on her. She was moved by a strong desire to take her place in the great family of Western nations.

The Roumanian members of the Conference had studied very carefully the documents which had been submitted to them, and the result of this study might be summarised as follows :

The proposals submitted to the International Economic Conference might be arranged in two chapters. The first concerned the technical side of all the economic relations which existed between the different countries, and in this connection he was thinking specially of the stability of Customs tariffs, the duration of treaties of commerce, the unification of the nomenclature of articles exported.

In respect of this first class of problems, there could not be any serious difficulty. In the second class of problems before the Conference, he would place those which dealt with the free circulation of goods, and here he thought that a distinction should be made. In this opinion, the general evil from which Europe was suffering had permanent causes and temporary causes. The permanent causes were those affecting the security of peoples, as M. Loucheur and M. Serruys had said. Every

country was obliged to take into account certain considerations which affected its own security. This meant that restrictions had to be envisaged in certain special circumstances. The representatives of a country could not lose sight of this necessity when they were called upon to defend the interests of their nation. He would remind the Committee that Roumania was in a situation which made it essential for her to exercise a certain prudence. Roumania after the war had carried out an astonishing agrarian reform which had demonstrated the solidity of the organisation of the country.

It was also necessary to take into account the necessary adaptation of Roumanian industry in the new territories as the result of the inclusion of those new territories in Roumania. On the other hand, the losses which resulted from the war reached very high figures. The instability of the currency was not yet completely remedied. Finally, Roumania, in order to re-establish her prosperity, had proceeded on lines and at a pace suited to her situation.

All these facts created a special situation which it was impossible to ignore. Roumania, moreover, had definitely decided to collaborate wholeheartedly in the universal task which the Conference had undertaken, and would do her utmost to achieve the desired result.

2. COMMUNICATION FROM THE CHAIRMAN.

The Chairman announced that Mr. Walter Runciman (International Chamber of Commerce), whom he had proposed as Vice-Chairman of the Committee, had written a letter regretting his inability to accept that office. He proposed that Mr. R. W. BOYDEN (United States) should be appointed.

The Committee agreed.

The Committee appointed as Chairman of the three Sub-Committees : M. COLLIN for the First Sub-Committee ; Mr. BOYDEN for the Second Sub-Committee ; and Mr. RYDBECK for the Third Sub-Committee.

Note. — During the interval before the following meeting on May 20th, the three Sub-Committees met and reported. Accounts of their proceedings will be found below. Their resolutions were then co-ordinated by the Commerce Co-ordination Committee before submission to the plenary Committee. They are printed on page 111. A report of the proceedings of the Commerce Co-ordination Committee is given on page 109 below.

THIRD MEETING

held on Friday, May 20th, 1927, at 3 p.m.

Chairman : M. COLIJN (Netherlands).

EXAMINATION OF THE REPORT SUBMITTED TO THE COMMITTEE ON COMMERCE BY ITS CO-ORDINATION COMMITTEE.

The Chairman announced that twenty-five amendments had been received to the Report of the Co-ordination Committee. The time at the disposal of the Committee being limited, he would request speakers to be as brief as possible.

I. INTRODUCTION.

Amendment proposed by Professor CASSEL (Sweden) :

“Stabilisation of Currencies.”

“The International Economic Conference,

“Considering that, according to all experience, sound economic life can only develop on the basis of stable currencies and that monetary instability has been one of the greatest obstacles to the world’s recovery after the war ;

“Considering, further, the great advantage which has been derived from the stabilisation of currencies which has already taken place.

“Has come to the conclusion :

“That a complete stabilisation of all the currencies of the world is a matter of fundamental importance with regard both to commerce and to industrial and agricultural production,

“And that nearly all the recommendations of the Conference would be furthered by such a stabilisation.”

M. Rydbeck (Sweden) submitted this amendment on behalf of Professor Cassel, indisposed. Professor Cassel had requested him to make the following statement :

“I have proposed a resolution which refers to the stabilisation of currencies. Here I do not ask the Conference to make any positive recommendations. I think it would be enough if the Conference were to say : ‘That a complete stabilisation of all the currencies of the world is a matter of fundamental importance with regard both to commerce and to industrial and agricultural production, and that nearly all the recommendations of the Conference would be furthered by such a stabilisation’.

“If we said that, we certainly should not go too far ; but it is very important that so much should be said, and that there would be a clear deficiency in the recommendations of this Conference if nothing were to be said about the desirability of a definite stabilisation of the world’s currencies.”

The Chairman pointed out that Professor Cassel’s argument was fully covered by the seventh and eighth paragraphs of the Introduction. Indeed, the question could hardly be treated in stronger language.

M. Rydbeck (Sweden) said that, although he had no power to withdraw Professor Cassel’s amendment, he personally considered that the Report fully covered the point.

The Chairman said that, in that case, the Committee might take M. Rydbeck’s opinion as representing that of Professor Cassel and that the amendment would be withdrawn.

The amendment was withdrawn.

The Introduction was adopted.

II. — Chapter I. LIBERTY OF TRADING.

§1. — “IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS.”

(a) Amendment by Dr. STEENBERGHE (Netherlands) :

The Chairman said that an amendment had been received from Dr. Steenberghe for the addition of the words “prohibitive import duties”, after the words “export duties”, in the second recommendation.

Mr. Norman Davis (U.S.A.), Rapporteur, pointed out that this amendment introduced a new subject which did not belong to that part of the Report.

Dr. Steenberghe (Netherlands) maintained his amendment. He thought that the suppression of import and export prohibitions and restrictions would be without effect if excessive or prohibitive import duties were maintained. It was true that import duties were dealt with in a special paragraph, but the same applied to export duties. He thought that there was no ground for the objection which had been made to his amendment by Subcommittee 1.

M. Loucheur (France) agreed with the Rapporteur. The question of import duties, being treated in a separate part of the Report, could not be discussed in the present connection, since different questions should be kept apart.

The Chairman, having put the amendment to the vote, *the amendment was rejected.*

(b) Amendment proposed by Professor CASSEL (Sweden) :

“Free Movement of Capital.”

“The International Economic Conference,

“Considering that, after the great dislocation of the world’s economic conditions which has been a consequence of the war, a readjustment to the new conditions can only be attained within reasonable time, if the most complete freedom is given to all factors of production and among them particularly to capital ;

“Considering that the relative freedom of movement which has been allowed to capital has been one of the most powerful agents in the work of reconstruction which has already been completed ;

“Considering that it is of primary interest to commerce as well as to industry and agriculture that it shall be possible to have free capital transferred with the least friction and delay to such occupations for which it is most urgently needed, and without such restrictions as only tend to render the conditions for the borrower more burdensome ;

“Considering, finally, the great advantage that lending countries generally will derive from the development of the productive powers and of the buying capacity of the borrowing countries :

“Recommends that the greatest possible freedom be given to export as well as to import of capital.”

M. Rydbeck (Sweden), submitting Professor Cassel's amendment, said that the free movement of capital was so intimately connected both with the revival of commerce and with the development of industrial and agricultural production that it could not be excluded from the deliberations of that Conference. A great part of the world was in urgent need of fresh capital for the development of its natural resources, and the old industrial countries could not hope for an improvement of their export trade until the world's purchasing power had been strengthened by the supply of fresh capital. The only objection of any value was that made by countries whose exchange had not yet been stabilised, but the recognition of this particular exception could not be an objection to the resolution now proposed, which only recommended in general terms the greatest possible measure of freedom for the export as well as the import of capital.

M. Rydbeck thought that a resolution of this kind would have a very great influence in countries where restrictions were still maintained. It was essential that public opinion should be educated as to the importance of the free movement of capital.

Mr. Norman Davis (United States), Rapporteur, thought that Professor Cassel's proposal went considerably beyond the question under consideration. He pointed out that the question was partially covered by the third recommendation. He thought that that was as far as the Committee could go, since otherwise it would encroach upon a financial question which was beyond its scope.

M. Rydbeck (Sweden) observed that it had been said that the question had already been touched upon in connection with recommendations with regard to restrictions to the free movement of goods. That was quite true, but only a limited part of the question had been touched on. The general and far-reaching problem of the free movement of capital would require consideration as a whole.

M. Dubois (Switzerland) supported Professor Cassel's amendment, because the recommendation made in the Report covered only an inconsiderable fraction of the question. In point of fact, capital was a particular kind of commodity, and its free circulation was one of the essential conditions of progress.

The Chairman objected to the amendment on the ground that it introduced what was really a new subject, which had not been considered by the Sub-Committee. The draft of the Co-ordination

Committee had been purposely restricted to that part of the question which had been examined by the Sub-Committee.

The Chairman having put the amendment to the vote, *the amendment was rejected.*

(c) Amendment proposed by M. KHINCHUK (U.S.S.R.) :

“Insert after the resolution No. 3 the following paragraph :

“In view of the different economic systems prevailing in the Union of Socialist Soviet Republics (U.S.S.R.), the Conference recommends :

“(4) Collaboration with the U.S.S.R. on the basis of their existing system of foreign trade.”

M. Khinchuk (U.S.S.R.) said that he would withdraw his amendment, as he proposed to bring the matter up at a plenary meeting of the Conference.

The amendment was withdrawn.

§ 1. — “IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS” *was adopted without amendment.*

§ 2. — “COMMERCIAL EQUALITY OF STATE ENTERPRISES AND PRIVATE ENTERPRISES” *was adopted without amendment.*

§ 3. — “LEGAL PROVISIONS OR REGULATIONS RELATING TO INTERNATIONAL TRADE” *was adopted without amendment.*

§ 4. — “ECONOMIC AND FISCAL TREATMENT OF NATIONALS AND COMPANIES OF ONE COUNTRY ADMITTED TO SETTLE IN THE TERRITORY OF ANOTHER.”

Amendment submitted by M. EGGERT (Germany) :

“Add at the end of Chapter I (4) the following paragraph :

“It is understood that any enquiries into or action affecting the position of foreign workers in relation to social legislation are reserved for the International Labour Organisation.”

The Chairman drew M. Eggert's attention to the second paragraph of Section 4, which appeared to cover the amendment, since the International Labour Organisation was, in point of fact, one of the “appropriate organs of the League of Nations”.

M. Eggert said that he would withdraw his amendment, as he understood that the Chairman's explanations signified that the Chairman was in agreement on the substance of the proposal of the workers' group, namely, that “it was understood that any enquiries into or action affecting the position of foreign workers in relation to social legislation were reserved for the International Labour Organisation”.

The amendment was withdrawn.

§ 4. — “ECONOMIC AND FISCAL TREATMENT OF NATIONALS AND COMPANIES OF ONE COUNTRY ADMITTED TO SETTLE IN THE TERRITORY OF ANOTHER” *was adopted without amendment.*

III. — Chapter II. CUSTOMS TARIFFS.

§ 1. — “SIMPLIFICATION OF CUSTOMS TARIFFS” *was adopted without amendment.*

§ 2. — “UNIFICATION OF TARIFF NOMENCLATURE”.

(a) Amendment proposed by M. KHINCHUK (U.S.S.R.) on behalf of his delegation :

"As the question of the duty-free or dutiable exchange of goods has no direct relation to the question of common nomenclature, we propose that in paragraph I, third line, the following words should be deleted :

"That it may also contribute to the duty-free exchange of goods."

M. Khinchuk (U.S.S.R.) explained that the amendment was purely technical in character. A technical recommendation of this kind should not be combined with a declaration concerning free trade.

Sir Hubert Llewellyn Smith (member of the Economic Committee) thought it impossible not to sympathise with the amendment. The phrase as drafted would certainly be read to have the meaning attributed to it by the Soviet delegation. It was, however, he understood, intended to mean something quite different, namely, that the unification of Customs nomenclature was not only essential in respect of dutiable goods, but would also be of great value in the case of goods which were not liable to duty. As the intention had obviously not been expressed, he would advise the Committee to accept the amendment.

M. Serruys (France) thought that Sir Hubert Llewellyn Smith and the Soviet delegation had failed to understand the real meaning of the paragraph under discussion. In many countries there existed in Customs matters practices which, owing to the absence of a clear and easily applicable nomenclature, resulted in the payment of duties by articles which, in principle, were exempt from them. This was the reason why it had been decided to insert the passage in the Report.

Mr. Norman Davis (U.S.A.), Rapporteur, said that confusion had arisen over a mistranslation. The words "contribute to the duty-free exchange of goods" should read "contribute to the exchange of goods not liable to duty".

Sir Hubert Llewellyn Smith (member of the Economic Committee) and M. Khinchuk (U.S.S.R.) said that they would be satisfied if the passage under discussion were referred to the Rapporteurs for re-drafting in the sense indicated.

(b) Amendment submitted by M. KHINCHUK (U.S.S.R.) :

"Though it is understood that every country reserves full liberty of action with regard to the application of Customs nomenclature, we consider it important to point out that it is desirable to insert between the recommendations 7 and 8 :

"That, for the purposes of scientific study of imports and exports in every country there may exist a special nomenclature adequate for these purposes concurrently with the common nomenclature elaborated in accordance with the principles enunciated above."

M. Gérard (Belgium), Rapporteur, thought that this proposal would be out of place in a recommendation the object of which was to convince States of the necessity for a common nomenclature. He proposed that the amendment be rejected.

The Chairman pointed out that no objection could be taken if a country which had accepted a common nomenclature for its treaties and tariffs adopted supplementary nomenclatures for statistical or scientific purposes and for use by its own Customs services. The Conference could not forbid such action, but it was not for the Conference to recommend it. The countries must be left entirely free in this matter.

M. Khinchuk (U.S.S.R.) replied that a common nomenclature could not satisfy an individual State, as it would not be sufficiently detailed for the scientific study of its exports and imports. In submitting his amendment, he had had only these statistical purposes in mind.

The Chairman pointed out that there was nothing in the Report to prevent a country from adopting special nomenclatures for the special purpose alluded to by M. Khinchuk.

The amendment was withdrawn.

§ 2. — "UNIFICATION OF TARIFF NOMENCLATURE" was adopted subject to the re-drafting of the first paragraph in the sense indicated.

§ 3. — "STABILITY OF CUSTOMS TARIFFS".

Amendment proposed by M. KHINCHUK (U.S.S.R.)

"(1) As the economic life of colonial countries and those of the East differs profoundly from that of large industrial countries, we propose that recommendation No. 1, after the word "concluded", be added :

"Taking into consideration the special interests of colonial countries and countries of the East."

"Moreover, as the application of Customs tariffs in U.S.S.R. is completely in accordance with the interests of socialist industry, we propose also to add to the above-mentioned paragraph the words :

"That the interests of the U.S.S.R. must be specially considered."

"(2) As the Customs duties on agricultural produce cause an increase in the cost of living and prejudice the standard of life of the working class, we propose that recommendation No. 2 be supplemented by the following words :

"And that in countries where duties on agricultural produce are in existence they should be abolished."

* * *

"Though at present preparatory work is being carried out for the purpose of convening an international conference on trade statistics, we consider none the less that, in view of the lack of uniformity in trade statistics which makes the right scientific study of world trade almost impossible, this Conference should draw attention especially to the necessity of rationalisation and unification of world Customs statistics."

* * *

"As the Soviet Union does not take part in the League of Nations, we cannot agree that the Council of the League should be the executive organ with regard to the resolutions submitted. With regard to U.S.S.R., it must be said that U.S.S.R. will consider the question of the elaboration of Customs nomenclature separately and will conclude agreements with individual States."

The Chairman announced that M. Khinchuk had withdrawn these amendments.

§ 3. — "STABILITY OF CUSTOMS TARIFFS" was adopted without amendment.

§ 4. — "APPLICATION OF TARIFFS" was adopted without amendment.

§ 5. — "CUSTOMS FORMALITIES."

Amendment submitted by Sir Campbell RHODES (India):

"To omit the last paragraph of this section and to substitute:

"The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations, and without desiring to anticipate the results of its investigations, desires to impress upon public opinion that, apart from the moral issues involved, such practices indirectly lead to the complication of Customs procedure and thus create fresh barriers to international trade."

Sir Campbell Rhodes (India), while in sympathy with the statement contained in the text of the Report, wished to go a little further. It was obvious that, where dishonest practices existed, Governments had necessarily to take steps to prevent their continuance, and these steps were invariably inconvenient to the honest trader and complicated Customs procedure. He therefore thought the Conference should point out that these practices created fresh barriers.

M. di Nola (Italy) pointed out that, as the Conference had not studied the question of false Customs declarations, it would not now be asked to give an opinion on this question. The fourth recommendation stated merely that the Conference, being informed that the Economic Committee had before it a proposal for suppressing false Customs declarations, wished to place it on record that it was opposed to all dishonest practices in international trade. He thought that the Conference was in a position to pronounce an opinion on this general aspect of the question, and proposed accordingly that the text should be adopted as it stood.

M. Gérard (Belgium), Rapporteur, agreed with M. di Nola and proposed that the fourth recommendation should be adopted without amendment.

The Chairman having put the amendment to the vote, the amendment was rejected.

§ 5. — "CUSTOMS FORMALITIES" was adopted without amendment.

§ 6. — "TRADE STATISTICS" was adopted without amendment.

IV. — Chapter III.

COMMERCIAL POLICY AND TREATIES.

§ 1. — "TARIFF LEVELS."

(a) Amendment submitted by M. SCHÜLLER (Austria):

"In the fourth paragraph of the chapter 'Discussion of Commercial Policy':

"(1) After the words 'to increase exports' and the words 'similar proportion', put a semicolon instead of a full-stop, the reason being to show that these are European commercial practices.

"(2) In the same paragraph, omit the words: 'Without any attempt to enunciate a general theory', because these words have given certain delegations the impression that a general theory was nevertheless being enunciated. It has already been said in the first three lines of the section 'Discussion of Commercial Policy' that the Conference does not attempt to pass judgment on the fundamental principles."

M. Schüller (Austria) thought that there would be no opposition to his amendments, which were merely concerned with a matter of drafting.

M. Gérard (Belgium), Rapporteur, accepted M. Schüller's amendments as they were in accordance with the decisions taken in the Sub-Committees.

The amendment was referred to the Rapporteurs for final drafting.

(b) Amendment submitted by M. GLIWIC (Poland):

"Delete in the section 'Discussion of the Commercial Policy' the following paragraph:

"Customs tariffs are no remedy for the results of currency disorganisation. The experience of most nations which have gone through these difficulties indicates that budget equilibrium or the restoration of monetary stability is not to be attained by means of tariffs."

"The Polish members consider that the paragraph the suppression of which is proposed above is superfluous; the existing relation between Customs tariffs and the monetary situation as well as between Customs tariffs and the budgetary situation is sufficiently emphasised by the two following passages:

"1. The first eight lines of sub-section 'Causes'.

"2. The seventh paragraph of the same sub-section beginning with the words: 'In addition to reasons connected with tariff negotiations'"

M. Gliwic (Poland), in submitting his amendment, said that his object was to avoid misinterpretation. The clause in question had been dealt with more fully in other passages and was accordingly superfluous.

M. Schüller (Austria) pointed out that the passages to which M. Gliwic had referred recorded merely the fact that certain Governments had endeavoured to parry currency depreciation by placing obstacles on imports. Experience had shown that this view was incorrect, currency depreciation being due to inflation and not to excessive imports.

Sir Norman Hill (British Empire) said he desired to support the omission of the clause for the reasons that had been given.

Mr. Norman Davis (U.S.A.), Rapporteur, agreed with M. Gliwic and Sir Norman Hill. He therefore proposed the acceptance of the amendment.

The Chairman having put the amendment to the vote, the amendment was adopted.

(c) Amendment submitted by Sir Campbell RHODES (India) to delete the last paragraph of the sub-section entitled "Discussion of Commercial Policy".

Sir Campbell Rhodes (India) said that the particular words to which he objected were the words "by an economic organisation to be set up by the Council". This had been added by the Rapporteurs in explanation of the fourth recommendation under this heading, but he thought that they had accidentally gone a little further than was intended. He would, however, be satisfied if the drafting of this clause were made identical in structure with the relevant recommendation.

The Chairman announced that the Rapporteurs were prepared to accept the proposal made by Sir Campbell Rhodes.

The proposal of Sir Campbell Rhodes was adopted.

(d) Amendment submitted by M. GÉRARD (Belgium), Rapporteur :

"Add at the end of the sub-section headed "Discussion of Commercial Policy", the following paragraph :

" 'Although the considerations outlined above with regard to tariff levels are based on a study of the question more particularly from the point of view of industry and commerce, they may be regarded as applying also, to an extent varying according to the country and purpose in view, to agriculture.' "

M. Gérard (Belgium), Rapporteur, said that the Sub-Committee had received from Baron Kornfeld, of the Hungarian delegation, a number of amendments pointing out that the majority of the motives cited in support related to agriculture as well as to commerce and industry. The Sub-Committee, while recognising the truth of this claim, had considered that the introduction of these different amendments might endanger the harmony of the text as drawn up. It had considered that it would be enough to indicate in a special paragraph that the question of agriculture had not been overlooked. For this reason, M. Gérard hoped that the amendment which he proposed would meet the wishes of the representatives of agriculture, and he requested the Committee to adopt it.

M. Serruys (France) fully concurred in the proposed amendment, but wondered whether the Committee on Agriculture would agree to the draft.

Baron Kornfeld (Hungary) believed that the Committee was competent to decide in this matter, since commercial treaties applied to agriculture as well as to industrial products. If the lowering of industrial Customs barriers was the only object contemplated, agricultural States would consider the resolutions were not in conformity with the principle which had been adopted and that they merely embodied the views of the industrial interests. The difficulties which would impede agricultural exports would hasten still further the industrialisation of the agricultural countries, contrary to the desires expressed by the Committee.

The Chairman said that he assumed that there was general agreement on this point, provided that the recommendation did not clash with those of the Committee on Agriculture. He proposed, therefore, that the Committee should pass the amendment subject to that condition. If it did clash, it would be referred to the general meeting.

The Chairman's proposal was adopted.

(e) Amendment submitted by Mr. BARRINGTON (Irish Free State) to substitute, in the fifth paragraph of the "Conclusions", for the words "to put an end to the increase in tariffs", the words "to call a halt to the excessive increase in tariffs" :

Mr. T. A. Barrington (Irish Free State) pointed out that recently the policies of the different countries in these matters had varied considerably, and that, while some countries, including his own, had pursued a generous policy, the policies of other countries were highly restrictive. The text now before the Committee asked more of some countries than of others, and seemed to ask most of those countries whose commercial policy was most generous. He did not think the paragraph in its present form represented the real views of the Committee on the subject, and it seemed to him that the words he now proposed were more worthy of the general tenor of the report.

M. Serruys (France) explained that the present text was the result of a compromise. The original draft had read: "The time has come to put an end to the excessive height (*exaltation*) of tariffs". This draft had been confronted with another which read, "The time has come to put an end to any increase in tariffs", which would mean: no matter how high, how low, on what article or in what country. The Sub-Committee had considered that neither of these drafts was satisfactory, since the object was to indicate the line to be followed rather than hard-and-fast measures. It had accordingly agreed upon the compromise draft now before the Committee.

M. Gérard (Belgium), Rapporteur, supported M. Serruys and urged that the text contained in the Report should be maintained.

Mr. Norman Davis (U.S.A.), Rapporteur, endorsed the statement that the present wording was the result of a compromise.

The Chairman suggested that it would be well for the compromise to stand.

Mr. Barrington (Irish Free State) said that, in view of the explanation given by M. Serruys, he would withdraw the amendment.

The amendment was withdrawn.

(f) Amendments submitted by M. EGGERT (Germany) on behalf of the Workers Group :

"Insert, after the last paragraph but one in the section headed "Conclusions" (ending with the words ' . . . Agriculture and Labour'), the following sentence :

" 'With this object, the Economic Organisation shall undertake an enquiry for the statistical determination of the comparative standards of life and Customs tariffs in the different countries and secure the widest possible publicity for the results of such enquiry.' "

"Insert on the same page, after the next paragraph ending with the words . . . 'Its purchasing power', the following paragraphs :

" 'The enquiry shall deal, among other things, with the following points :

" '(a) Preparation of a general convention for fixing a Customs schedule for each State, on the basis of the results of the enquiries, and for the general reduction by stages, of the existing rates, the ultimate object being the general abolition of protective tariffs ;

“(b) Research into the conditions of realisation and the economic consequences of a European Customs union, considered as a transitional measure in the direction of a system of worldwide free co-operation”.

M. Eggert (Germany), moving the amendments, said that, whilst the Workers' Group fully appreciated the importance from the commercial point of view of lowering tariffs, it at the same time wished to indicate the methods by which that end could be attained as quickly as possible.

M. Khinchuk (U.S.S.R.) said that the Soviet delegation considered that the proposal made in the amendment was of no particular value, because the study of Customs tariffs was possible only in connection with the whole of a country's economic life and, in particular, in connection with the conditions and cost of production in industries which demanded protection by Customs duties.

Sir Hubert Llewellyn Smith (member of the Economic Committee), referred to the final paragraph of the section headed “Conclusions” beginning “The object of the enquiry should be”, etc. He felt that M. Eggert would agree that the subject in which he was interested was fully covered. The enquiry which was referred to in that paragraph was to be conducted in consultation with the competent bodies representing commerce, industry, agriculture, and labour. He hoped that the Committee would not add to the general words used in the text anything which would bind the Economic Organisation to pursue its enquiries in any particular way. The statistical determination of the standard of life and of tariff levels was a very complicated matter. The mandate was wide enough as it stood. It was within the competence of the Economic Committee to undertake a statistical enquiry.

M. Mertens (Belgium) supported M. Eggert's proposal. The object of the Workers' Group in presenting these amendments was to define and strengthen the four recommendations made in this section of the Report. The second amendment in particular was designed with the object of obviating incorrect interpretations of the recommendations.

M. Serruys (France) agreed with M. Mertens and M. Eggert that this question was of great importance. The standard of life was one of the factors for fixing Customs duties; but it was not the only one. The Soviet representative had pointed out another, namely, the cost of production, and there were yet other factors. The task of the organisation which it was proposed to set up would be restricted if its attention were drawn to a single point. Its terms of reference must be sufficiently wide, and for this reason M. Serruys was opposed to the second part of the proposal, which had already formed the subject of a motion by M. Riedl. That proposal did, of course, supply one means of effecting a progressive diminution in Customs duties, but there were other means, among them that indicated by the Japanese delegation. While fully realising the motives by which his colleagues were actuated, M. Serruys pressed for the withdrawal of their amendment; the suggestion which they had made would be taken into consideration subsequently by the organisation to which the Council of the League would entrust the enquiry in question.

Mr. W. T. Layton (British Empire) strongly supported the views expressed by M. Serruys. He realised that the intention of the amendment was

to give force to the work of the Economic Organisation, but he did not envisage the work of that organisation in this connection as being that of laying down a scientific or definite basis for tariff or Customs duties. He was convinced that if an attempt were made to lay down rules for fixing Customs duties in any sort of way, it would have the effect of delaying the object which the recommendations had in view. The work of the Economic Organisation, at all events in its early stages, must, if it was to be fruitful, be rather that of reconciliation. It would be a mistake to saddle the Organisation with hard-and-fast instructions.

M. Mertens (Belgium) was prepared, in view of M. Serruys's statement, to withdraw his amendments, it being understood that all these aspects of the question would be taken into consideration by the organisation referred to in the Report.

The amendments were withdrawn.

(g) Amendment proposed by M. MARINO PÉREZ (Cuba):

“It is proposed that the following recommendation be added to those adopted by the Committee:

“That a study be made by the Economic Organisation of the League with regard to the feasibility of seasonal duties, especially for agricultural products, and the extent to which such duties might be applied in the tariff and commercial treaty systems of the different countries, with the view of decreasing or removing the high protective rates in force during those periods of the year when similar or competitive domestic products are not available in the country.”

The Chairman said that, in the absence of the Cuban representative, he would withdraw the amendment.

The amendment was withdrawn.

§ 1. — “TARIFF LEVELS” was adopted subject to the amendments noted.

§ 2. — “FISCAL CHARGES IMPOSED ON IMPORTED GOODS.”

(a) Amendment proposed by M. Luis MARINO PÉREZ (Cuba).

“It is proposed that the following recommendation be added to those adopted by the Committee:

“(3) That provision should be made in all countries, while taking due measures for the prevention of fraud, to apply as fully as possible, in all cases where the nature of the article makes it feasible, the system of DRAWBACK, that is, the refunding, in whole or in part, of the Customs duties and the internal taxes paid on any imported materials, when re-exported either in the same form or combined with other products or manufactured into a more finished article.”

The Chairman pointed out that the Committee could hardly discuss this amendment, which dealt with a question that had not even been touched on in the Sub-Committee. As the Cuban delegate was not present to support his motion, the Chairman would himself withdraw the amendment.

The amendment was withdrawn.

§ 2. — "FISCAL CHARGES IMPOSED ON IMPORTED GOODS" was adopted without amendment.

§ 3. — "EXPORT DUTIES" was adopted without amendment.

§ 4. — "COMMERCIAL TREATIES."

(a) Amendment by M. GLIWIC (Poland), to substitute in the first paragraph for the words "not only in tariff matters, but also as regards commercial conditions generally", the words "as regards Customs duties and commercial conditions".

M. Gliwic (Poland) said that he was unable to understand the purport of the word "generally", and that his amendment was intended to avoid misinterpretation.

Sir Hubert Llewellyn Smith (member of the Economic Committee) said that, as the member responsible for drafting this paragraph, he was prepared to accept the amendment.

It was decided to refer the paragraph to the Rapporteurs for re-drafting in the sense indicated.

(b) Amendment submitted by M. LOUCHEUR and Sir Hubert LLEWELLYN SMITH.
(To be added) :

"The Conference has further considered the question of the best means of ensuring that full effect be given to the stipulations of commercial treaties. While recognising that, in the main, confidence must be reposed in the good faith of the contracting parties to fulfil their engagements, it is also clear that the possibility of recourse to a suitable arbitral or judicial procedure may often furnish the means of avoiding or settling difficulties whether of interpretation or of application.

"The Conference therefore recommends :

"That the various States should consider the desirability of providing in their commercial treaties for the reference of disputed questions as to the interpretation or carrying out of the treaties to arbitration or preferably to the Permanent Court of International Justice.

"In this connection the Conference notes that the present Statute of the Court authorises it to appoint experts or expert bodies to make enquiries or to give an expert opinion on any matter. It has been further suggested that, if at any time the amendment of the Statute of the Court is contemplated, the opportunity might be taken of enabling the Court to establish a special section or special procedure for dealing with commercial questions. The Conference does not feel that it is within its competence to pronounce on the merits of this suggestion, but it desires to pass it on to the Council of the League of Nations for consideration."

M. Loucheur (France) explained that the object of the amendment proposed by Sir Hubert Llewellyn Smith and himself was to obviate the possibility that there might be no means of settling a dispute between two States relative to the application of commercial treaties. For this reason they had suggested arbitration or resort to the Permanent Court of International Justice. The second part of the amendment was, to his mind, justified by the fact that an amendment to the Statutes of the Court could not be effected merely by a decision of the League, but required the adherence of all States which had signed the Protocol by which the

Court was set up. M. Loucheur thought that all members would agree to accept resort to arbitration or to the Permanent Court of International Justice.

M. Gérard (Belgium), Rapporteur, accepted the amendment.

The amendment was adopted.

§ 4. — "Commercial Treaties" was adopted as amended.

V. — Chapter IV.

"INDIRECT MEANS OF PROTECTING NATIONAL TRADE AND NATIONAL NAVIGATION."

§ 1. — "SUBSIDIES, DIRECT OR INDIRECT" was adopted without amendment.

§ 2. — "DUMPING, AND ANTI-DUMPING LEGISLATION."

(a) Amendment submitted by the American delegation :

"Omit that portion of the footnote reading :

"but with the express reservation that this difference in prices is secured by artificial means and with intent to obtain an unfair advantage, and not through free competition."

"This is an unnecessary reservation and one which confuses rather than helps the attempt at clear definition of the term 'dumping'. Actual practice shows the extreme difficulty, if not the impossibility, of proving 'intent to obtain an unfair advantage' or to establish when a situation is brought about by artificial means. Moreover, the essential injury and insecurity which it is desired to avoid is accomplished equally whether or not artificial conditions or intent is present."

(b) Amendment submitted by M. TOURNAKIS (Greece) to modify the fourth paragraph to read as follows :

"The Conference considers that dumping, in every shape, must be reduced to a minimum, and that in order to attain this object every possible measure should be taken to establish universally stable and equal conditions of production, commerce and transport. . . ."

M. Vourloumis (Greece) pointed out that transport was one of the means which might be used in connection with any endeavour to obviate dumping.

M. Serruys (France) thought that there was some misunderstanding. The definition of "dumping" given in the footnote did not concord with that proposed by the American delegation. The Committee would no doubt agree in thinking that the definition given in the Report was in point of fact only a kind of compromise which had no scientific or commercial reality. Moreover, M. Serruys was unable to accept the American definition, which said that dumping consisted of selling goods in a foreign country at a price below that obtaining in the country of origin. The prices of an article varied according to locality or according to factory in one and the same country. He proposed in consequence that the definition given in the Report (in the footnote) should be deleted. If that were done, the Greek amendment could probably be withdrawn, as it would cease to have any object.

Mr. Norman Davis (U.S.A.), Rapporteur, said that the proposal to exclude the entire footnote would be acceptable to the American delegation.

M. Rydbeck (Sweden) said that, when Sub-Committee 3 approached the question of dumping, it found that it had a very difficult matter to discuss. The first thing to do was to find a definition for dumping. The definitions of dumping were very numerous and some definition had to be taken as a basis for discussion. Accordingly, after a lengthy discussion, the definition appearing in the footnote had been adopted as a basis for discussion. The first draft of the section dealing with this subject had been much longer than that appearing in the Report, and he agreed that the draft was perfectly applicable even without the definition. To obviate controversy, he proposed that the footnote should be deleted. It followed that the words 'in every shape' would also have to be deleted. In that case, the Greek amendment should be rejected.

Sir Norman Hill (British Empire) pointed out that "dumping" was an English word, which nobody yet had been able to translate. Not even the English were able to agree upon a precise definition. He supported the proposal to suppress the footnote and the motion to omit the words "in every shape". He was unable to understand the purport of the Greek amendment, as it was impossible even for the Conference to establish equal conditions of production everywhere.

M. Ansiaux (Belgium) thought a clear definition of dumping essential, if it was wished to make a declaration that dumping must be combated. Moreover, he did not agree with M. Serruys in thinking that it was impossible to determine the price of the country of origin, since it was always possible to ascertain the average price.

The Chairman having requested the Committee to vote on M. Rydbeck's proposal to delete the footnote and to omit the words "in every shape" in the fourth paragraph, *the motion was adopted.*

The amendment submitted by the American delegation *was withdrawn.*

M. Vourloumis (Greece) said that he would withdraw his proposal for the addition of the words "and equal", but maintained his motion for the addition of the words "and transport".

The amendment was rejected.

Mlle van Dorp (member appointed by the Council) having proposed that the fourth paragraph should be re-drafted so as to concord with the preceding paragraphs, the Chairman pointed out that the Committee had agreed to accept the amendment proposed by M. Rydbeck.

§ 2. — "Dumping and Anti-dumping Legislation" was adopted as amended.

§ 3. — "DISCRIMINATION ARISING FROM THE CONDITIONS OF TRANSPORT."

Amendment submitted by Sir Norman Hill (British Empire):

"In the first paragraph, as a footnote to the word 'transport' in the fourth line, add:

"(2) The details of a great number of problems have been submitted for consideration in the documents laid before the Conference, particularly in the memorandum of the International Chamber of Commerce on Trade

Barriers. The Conference considers that this memorandum in particular should be brought to the knowledge of the competent technical organisations of the League of Nations, and it is confident that those organisations will study the conclusions given in it with the most lively desire to give them the effect desired by international commerce."

Sir Norman Hill (British Empire) explained that the words he proposed as a footnote were taken textually from a paragraph of the report of Sub-Committee 3. The aim of the amendment was that the report of the Conference should contain a footnote embodying that paragraph with a view to drawing attention to the very valuable work done by the International Chamber of Commerce, work which appeared in the documents submitted to the Conference.

M. Riedl (Austria) supported the amendment. The Committee could not go into the details of the memorandum, but could draw the attention of the competent organisations to it.

M. Serruys (France) thought that the proposal both went too far and did not go far enough. It went too far because it asked the Conference to record its opinion of the value of documents which it had only been able to peruse very hastily. It would, however, be a proof of ingratitude if the Committee failed to pay its due to the very valuable help given by the International Chamber of Commerce. He proposed accordingly that the Co-ordination Committee should be instructed to insert in the Report, at the place which it thought most suitable, a few words expressing the Conference's gratitude, mention to be made of the principal documents emanating from the Chamber of Commerce, in particular the noteworthy report on Trade Barriers, in the preparation of which M. Riedl had co-operated. The Chamber of Commerce should, too, be thanked again for the immense amount of work it had done.

Sir Norman Hill (British Empire) wished to make it perfectly clear that the form of words used in his amendment reproduced exactly that appearing in the report of Sub-Committee 3. If his motion were rejected, the Report of the Conference would fail to contain a paragraph to which the Sub-Committee had ascribed great importance.

The Chairman thought that there was something to be said for Sir Norman Hill's proposal from the formal point of view. He requested the Committee to vote on the amendment.

The amendment proposed by Sir Norman Hill was adopted.

§ 3. — "DISCRIMINATION ARISING FROM THE CONDITIONS OF TRANSPORT" was adopted as amended.

ADOPTION OF THE REPORT.

VI. — The REPORT AS A WHOLE was adopted subject to the amendments noted.

VII. — CLOSE OF THE COMMITTEE'S SESSION.

M. Loucheur (France), on behalf of the Committee, thanked the Rapporteurs and the Bureau of the Committee for the admirable and successful way in which they had carried out their work. He wished to pay a specially warm tribute to the Chairman, who had shown so much authority;

impartiality and good humour in directing the discussions. He thought that the fact that the Committee had succeeded in accomplishing its task was largely due to the eminent qualities displayed by the Chairman. The best way in which the members of the Committee could testify to their gratitude was loyally to store up in their minds the remembrance of the important and interesting discussions that had been held and of the masterly manner in which they had been directed.

The Rt. Hon. Walter Runciman (International Chamber of Commerce) supported the motion and, on behalf of the International Chamber, expressed his gratitude to the Chairman not only for his courtesy and discretion in the transaction of the Committee's business, but for the genius he had shown in the rapid transaction of business. That rapidity would not be the least recollection which the members would take away from Geneva. Those who had been watching the work of the Committee, without participating in it, would also wish to express their admiration for the spirit of accommodation which had prevailed throughout the sittings. If there had been a mere succession of compromises between those who were concerned with the theoretical examination of economic questions and those who upheld antagonistic doctrines, there might have been reason to suspect those compromises. As he had seen the work of the Committee, however, while it had gladly submitted to the direction of eminent economists, it had also devoted itself almost entirely to practical questions, and on those practical questions there had been a desire for accommodation on all hands. It was for that that the International Chamber of Commerce wished to express gratitude.

He desired to ask, what was it all to lead to? The Committee had passed its report. That report would go to the Co-ordination Committee and thereafter to the plenary Conference, where it would be recorded as the opinion of the businessmen of the world of all classes — capital and labour, theorists and practical men, financiers and producers, agriculturists and manufacturers. Such an achievement was almost unique in the history of Europe, and he was sure it was unique in the history of the League, for there had been no instance up to the present of such complete unanimity on such extremely controversial questions as had been achieved throughout the past week. What was it to lead to? If it were merely to lead to putting the resolutions on the records of the League of Nations, that would be highly unsatisfactory. If it was to lead, as the Report suggested, to further enquiries by the Economic Organisation of the League of Nations, the members would be grateful to that Organisation, and they would receive from it guidance and information of inestimable value. No one had spoken throughout the debates as the representatives of Governments and they were not entitled to do so — but it was only the Governments which could act, and for that reason he hoped that they would not conclude the Conference without referring these matters directly to their Ministers of Commerce and Finance. When the appropriate opportunity arrived, he hoped to have the honour of moving a resolution, which would request that the necessary steps be taken by the League to call together as soon as practicable the Ministers of Commerce and other appropriate Ministers of the Member States and other States to discuss methods of co-operating in order to give practical effect to the principles and recommendations set forth in the Report. Members owed that not only to themselves but to those whom they represented; they owed it to their Governments.

There was no more difficult work that Governments had to undertake than that of dealing with tariffs. Even in the case of *tarifs compensateurs*, where opinions differed as to what the compensation should be, Governments and Parliaments found great difficulty in dealing with them. *Tarifs de combat* were almost as difficult, but there was one kind of tariff which gave more trouble to Governments than all the rest put together, namely, what he might perhaps term *tarifs de coulisses*, or tariffs of the lobby. There had been an entire absence of anything of this kind during the present meetings, and his final word would be that those Ministers who were listening for every movement of democracy, and who quite rightly had their ears to the ground, should be asked not only to put their ears to the ground, but to listen for the vibrations of the atmosphere, that there should now be a general concensus of feeling that out of the world's discord must be produced a greater harmony.

Mr. Layton (British Empire) associated himself with the remarks made by M. Loucheur regarding the manner in which the Committee had been conducted by the Chairman; he also paid a tribute to the work of the Vice-Chairmen and Rapporteurs. Before the Report passed into the hands of the plenary Conference, he wished to say a word to dispel the idea that it was the result of a controversy in which one side or the other had been victorious. The exact opposite was the case; the Report represented the greatest common measure of agreement, and it was a remarkable fact that, although the problem which had been discussed had been approached from quite opposite points of view as regards economic principle, and that those views were in many cases very strongly held, the Committee had nevertheless found a very large measure of agreement as to what was to be done in practice. In this connection there was one remark he would like to make, and that was to recall how much the Conference owed to the work of M. Serruys. A comparison of M. Serruys's original draft with the present Report would show how well he had surveyed and mapped out the ground. Mr. Layton was more concerned to point out the importance of the attitude adopted by the French representatives on the question of tariff levels, which, after all, was the central theme of the Conference. Starting from the point of view that competition in tariffs (from which none of the nations of Europe could stand aloof) was damaging everybody and should be stopped, Mr. Serruys had first suggested that an attempt should be made to define what was a legitimate and reasonable measure of protection, but the opinion of the Committee was very definitely against this point of view, for reasons which it would obviously be out of place to mention. The French representative had thereupon taken the very important step (one which would have startled world opinion a few years ago) of proposing that the League of Nations, through its Economic Organisation, should intervene in this extraordinarily difficult problem of tariff levels and endeavour to check the competition in tariffs and to secure a lowering of tariff barriers. He strongly supported the view of the Committee that the nations must not wait for concerted action; the need was far too urgent for that, but it might well be that the recommendations of the Report and its reference of this question of tariffs to the League of Nations, if adopted by the Council, might prove to be a turning-point in the commercial policy of the world.

Nearly 80 years ago, France took the initiative among the nations of Europe in shaping the commercial policy in a liberal direction when she

signed the Cobden Treaty with Great Britain, and for some decades after that Europe reaped the benefit of that new orientation of commercial policy in a striking development of trade and of material prosperity.

In conclusion, he expressed the hope that on the present occasion the initiative of France, if it produced the results which they all hoped, would prove equally beneficial to the prosperity of the world.

M. Litwinski (Poland), speaking on the question of the repercussion upon international commerce of reduced purchasing power (Item 4 of the Agenda), said that the re-establishment of purchasing power was vital to countries seeking to develop their production and seeking markets. He regretted that this question, which was closely bound up with the problems examined by the Sub-Committees, had not been given sufficient attention. The revival of purchasing power could not be brought about solely by the establishment of liberty of trading, unless every effort was made to revive and develop the productive forces of the different countries. The only means by which to attain the desired end was a very careful policy of credits. Credits were the only means of reviving the economic forces of the countries concerned. If these means were not adopted, it would be impossible to avoid a surplus of production in some countries and a loss of capacity of consumption in others. The balance between production and consumption had been upset by the world war, and it could only be restored gradually by means of international co-operation and a generous credit policy. The question had an intimate connection with the amendment moved by M. Cassel.

M. Eggert (Germany) made the following declaration :

"That part of the recommendations which deals with the commercial equality of State enterprises and private enterprises contains a disguised attack on collective economy and its future development.

"It must be recognised that the demand for equality of treatment for these two classes of enterprises is justified in most cases. In particular State enterprises should not avail themselves of any privilege with the object of competing unfairly with other enterprises (or of following a policy of economic hegemony over the economy of other States).

"We regard collective economy as the economic form best adapted to ensuring a fair wage to all workers, to protecting consumers against excessive demands, and, when it has been sufficiently developed, to establishing equilibrium between production and requirements, and thereby eliminating speculation from economic life, a result of which will be substantially to minimise the dangers of crises. For this reason, we support all measures likely to promote the sound development and future extension of collective economy, even if the result may sometimes be inequality of treatment as between public and private enterprises."

M. Serruys (France) said that he would be lacking in courtesy to the British delegation and to his friend Mr. Layton if he failed to thank them for the very cordial way in which they had spoken of his country and of the French delegation.

It was of no importance whether the resolutions that had just been adopted were due to the initiative of one person or another, or whether as a whole they coincided, as Mr. Layton had pointed out, with any scheme brought before the Conference at its opening meeting.

What was important was not that the Conference should end in the adoption of one recommendation or another or in a verbal display — every nation would have to make an effort from a different point of departure and tending towards a different economic form — what was important was that all members of the Committee should realise the underlying meaning of the Conference's work.

As Mr. Layton had said, the meaning of the Conference's work might be summarised under two headings. Henceforward, the nations, which had hitherto regarded tariff questions and commercial treaties as matters coming exclusively under their sovereign status, would declare themselves prepared to study together these measures with a view to a constant endeavour for the realisation of the ideal laid down by the Committee. Henceforth, the League would have to consider tariff problems and treaty problems in so far as they concerned the community of nations. Mr. Layton had very rightly referred to this as a turning-point. M. Serruys wished to claim the initiative for this on behalf of the French delegation, an initiative which should be regarded as evidence of France's belief in the League.

The other meaning to be read in the proceedings of that day was the existence of a common desire among all nations to discover in the economic field not the factors of disagreement — they had done with them — but the factors of co-operation and close relationship. Whatever the country they came from, whatever their tariff system or their treaty methods, they had said that they were anxious to come to an agreement, and that, if need be, they would entrust to the League the task of finding the means of bringing them to an agreement in their own despite. Henceforth, if there were disputes to be settled, the nations would bring them before a court of arbitration or to the Permanent Court of International Justice.

This was not a revolution, but an evolution on systematic lines, an evolution which all countries represented at the Conference would pursue in the right of their common faith in the League.

The Chairman thanked M. Loucheur for the way in which he had referred to him. He wished at the same time to thank all members of the Committee without whose cordial help it would have been impossible to complete the work so easily. He wished, too, on behalf of the Committee, to thank the Vice-Chairman and Rapporteurs and all members of the Secretariat.

The Committee's Report would now be presented to the General Conference. The members of the Committee shared a common responsibility for that Report, but each member also had a personal responsibility not to forget what had been done here. When they returned to their different countries, members should bend their endeavours to educating public opinion in the principles laid down in the Report, for they were personally convinced that those principles were designed for the good of the world, that they would promote peace, and that they would add to the material prosperity of mankind.

SUMMARY
OF PROCEEDINGS OF SUB-COMMITTEES
OF THE FIRST COMMITTEE.¹

¹ See Editorial note, page 2.

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"It must be recognised that the demand for equality of treatment for these two classes of enterprises is justified in most cases. In particular State enterprises should not avail themselves of any privilege with the object of competing unfairly with other enterprises (or of following a policy of economic hegemony over the economy of other States).

"We regard collective economy as the economic form best adapted to ensuring a fair wage to all workers, to protecting consumers against excessive demands, and, when it has been sufficiently developed, to establishing equilibrium between production and requirements, and thereby eliminating speculation from economic life, a result of which will be substantially to minimise the dangers of crises. For this reason, we support all measures likely to promote the sound development and future extension of collective economy, even if the result may sometimes be inequality of treatment as between public and private enterprises."

M. Serruys (France) said that he would be lacking in courtesy to the British delegation and to his friend Mr. Layton if he failed to thank them for the very cordial way in which they had spoken of his country and of the French delegation.

It was of no importance whether the resolutions that had just been adopted were due to the initiative of one person or another, or whether as a whole they coincided, as Mr. Layton had pointed out, with any scheme brought before the Conference at its opening meeting.

What was important was not that the Conference should end in the adoption of one recommendation or another or in a verbal display — every nation would have to make an effort from a different point of departure and tending towards a different economic form — what was important was that all members of the Committee should realise the underlying meaning of the Conference's work.

As Mr. Layton had said, the meaning of the Conference's work might be summarised under two headings. Henceforward, the nations, which had hitherto regarded tariff questions and commercial treaties as matters coming exclusively under their sovereign status, would declare themselves prepared to study together these measures with a view to a constant endeavour for the realisation of the ideal laid down by the Committee. Henceforth, the League would have to consider tariff problems and treaty problems in so far as they concerned the community of nations. Mr. Layton had very rightly referred to this as a turning-point. M. Serruys wished to claim the initiative for this on behalf of the French delegation, an initiative which should be regarded as evidence of France's belief in the League.

The other meaning to be read in the proceedings of that day was the existence of a common desire among all nations to discover in the economic field not the factors of disagreement — they had done with them — but the factors of co-operation and close relationship. Whatever the country they came from, whatever their tariff system or their treaty methods, they had said that they were anxious to come to an agreement, and that, if need be, they would entrust to the League the task of finding the means of bringing them to an agreement in their own despite. Henceforth, if there were disputes to be settled, the nations would bring them before a court of arbitration or to the Permanent Court of International Justice.

This was not a revolution, but an evolution on systematic lines, an evolution which all countries represented at the Conference would pursue in the right of their common faith in the League.

The Chairman thanked M. Loucheur for the way in which he had referred to him. He wished at the same time to thank all members of the Committee without whose cordial help it would have been impossible to complete the work so easily. He wished, too, on behalf of the Committee, to thank the Vice-Chairman and Rapporteurs and all members of the Secretariat.

The Committee's Report would now be presented to the General Conference. The members of the Committee shared a common responsibility for that Report, but each member also had a personal responsibility not to forget what had been done here. When they returned to their different countries, members should bend their endeavours to educating public opinion in the principles laid down in the Report, for they were personally convinced that those principles were designed for the good of the world, that they would promote peace, and that they would add to the material prosperity of mankind.

SUMMARY
OF PROCEEDINGS OF SUB-COMMITTEES
OF THE FIRST COMMITTEE. ¹

FIRST COMMITTEE (COMMERCE)

**SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 1
(Liberty of Trading)**

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First Committee (Commerce)

**SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 1
(LIBERTY OF TRADING)**

1. INTRODUCTION.

Sub-Committee 1 of the Committee on Commerce had, as its Agenda, questions connected with Liberty of Trading (Agenda of the Conference — Second Part, Commerce 1). It studied this question under four headings, on which the Conference finally adopted the resolutions printed in the General Report. These headings were :

1. Import and export prohibitions and restrictions ;
2. Commercial equality of State enterprises and private enterprises ;
3. Legal provisions or regulations relating to international trade ;
4. Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.

The Sub-Committee held five meetings on May 10th, 12th and 14th, and its Drafting Committee two meetings on May 11th and 13th.

* * *

**THE COMPOSITION OF THE SUB-COMMITTEE
WAS AS FOLLOWS :**

Chairman: Mr. Roland W. BOYDEN (International Chamber of Commerce).

SOUTH AFRICA

Dr. M. H. DE KOCK.

AUSTRALIA

Sir David GORDON,
Mr. Alex. Foulis BELL.

AUSTRIA

M. R. RIEDL.

BELGIUM

M. van den BROECK.
M. MERTENS.

BRAZIL

M. J. A. BARBOZA CARNEIRO.

BRITISH EMPIRE

Sir Arthur BALFOUR.

CANADA

Mr. Adam SHORTT.

CHILE

M. Enrique BRIEBA.

CHINA

M. Chuan CHAO.

COLOMBIA

M. J. A. RESTREPO.

CUBA

His Excellency M. G. DE BLANCK.

CZECHOSLOVAKIA

M. J. DVOŘÁČEK (deputy, Dr. IBL).
M. TAYERLE.

DANZIG

M. William KLAVITTER.

DENMARK

M. Ernst MEYER (deputy, M. OHLIN (E)).

EGYPT

His Excellency Sadik HENEIN Pacha.

ESTONIA

M. Johan KUKK (deputy, M. KÖSTNER (E)).

FINLAND

Dr. J. M. PAASIKIVI.

FRANCE

M. LOUCHEUR.
M. SEBRUYS.
M. JOUHAUX.

GERMANY

Dr. E. TRENDELENBURG (deputy M. DAUCH).

GREECE

M. P. VOURLUMIS.

GUATEMALA

M. Felipe SOLARES.

HUNGARY

M. C. DE VÉGH.

INDIA

Sir Campbell W. RHODES (deputies, Dr. L. K. HYDER,
Mr. H. A. F. LINDSAY, or Mr. W. D. CROFT).

ITALY

Dr. A. DI NOLA.

JAPAN

His Excellency M. N. SATO (deputy, M. TAKASHIMA (E)).

NETHERLANDS

M. Joan GELDERMAN (deputy, Dr. STEENBERGHE (E)).

NEW ZEALAND

Sir George ELLIOT (deputy, Mr. J. M. R. STUDHOLME).

NORWAY

M. W. WILLUMSEN.

ROUMANIA

M. Barbou CATARGI (deputy, M. Gr. GAFENCU).

POLAND

M. F. DOLEZAL.

SWEDEN

M. V. G. LUNDBIK.

SWITZERLAND

M. DUBOIS.

UNITED STATES

Mr. Julius KLEIN.

TURKEY

His Excellency HASSAN Bey.

U.S.S.R.

M. Leon KHINCHUK.

Member nominated by the Council :

Mlle. E. C. VAN DORP.

International Chamber of Commerce :

Dr. K. KOTZENBERG (deputy, M. A. R. JELF).

Expert invited by the Chairman of the Conference :

M. Jules BRUNET.

2. PLAN OF WORK.

In beginning its work, the Sub-Committee decided to take as a basis for discussion the draft presented by M. Serruys (France) to the first plenary meeting of the Committee on Commerce under the rubric "A. Freedom of Trade". This draft is as follows :

" A. Freedom of Trade.

"Whereas the restoration of freedom of trade is the first condition for the reconstruction of Europe ;

"And whereas import and export prohibitions and restrictions have not merely vitiated the conditions of international competition and endangered the supplies of certain peoples and the essential markets of certain others, but

also led, in the very countries which enforce them, to an artificial system of production, consumption and wages ;

"And whereas the damage inevitably caused to national economic life and international trade by prohibitions and restrictions is not justified — as the experience of the years since the war has clearly shown — by the financial advantages or the social progress anticipated by the countries which introduce them ;

"And whereas the prohibition of imports or exports can only be an exceptional measure taken to meet the gravest emergencies or to protect the national interests when threatened by the introduction of an abnormal system by other countries, and such exceptional measures should be confined to specific cases and accompanied by effective safeguards ;

"The International Economic Conference recommends :

"(1) That the draft International Convention for the Abolition of Prohibitions and Restrictions, as draw up by the Economic Committee of the League of Nations and submitted to the Governments Members of the League and to the principal States non-Members, he submitted with the least possible delay to a diplomatic conference, in order that as many countries as possible may, by concerted and simultaneous action, bring about the necessary conditions for the restoration and development of production and trade in all countries ;

"(2) That the supply of raw materials for all countries be not subjected to restrictions or differential conditions by means of export duties designed either to impose an excessive burden on the foreigner using such materials, thus placing him in a position of inferiority in regard to the production and sale of the manufactured product, or to force the foreign consumer to pay a bounty on national production, or to maintain the price of a raw material when free competition would tend to reduce it ;

"3. That the method of maintaining the prices of goods exported by means of a system of quotas designed to prevent any fall in prices owing to a glut should only be allowable as a means of regularising conditions, and only so far as it is necessary for the safety of national production, but not as a means of placing an undue burden on the consumer ;

"4. That if, on the other hand, there is a shortage of the goods exported, and if the introduction of a quota system is intended to protect the national supply, no arbitrary preference be shown in granting the quotas, and any differentiation between home and foreign prices be avoided as far as possible ;

"5. That freedom of trade be not hindered by the control of the foreign exchange market in the form of prohibiting the purchase of foreign exchange for imports, or of prohibiting the export of foreign exchange even in payment for goods imported."

This draft was rapidly adopted as a whole with reservation for some modifications in form. Those modifications which were adopted arose from the desire to give the proposed resolutions the precision necessary to meet the ideas of members expressed by them in the form of amendments.

3. IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS.

On the subject of the first of the four questions examined, Sir Hubert Llewellyn Smith (member of the Economic Committee of the League of Nations) described the circumstances in which the Economic Committee had been led to study the question of import and export restrictions, and the patient and detailed work of preparation for the framing of a draft Convention on the subject to serve as a basis for the Diplomatic Conference summoned by the Council of the League of Nations, on the initiative of the Committee, to meet at Geneva on November 14th, 1927. The Economic Conference, by drawing the attention of the Governments to the general principles set forth in the draft drawn up by the Economic Committee, would considerably increase the possibilities of agreement by means of an international Convention. This draft, accompanied by all the relative documents, was included in the documentation of the Conference (C.E.I.22. — *Abolition of Import and Export Prohibitions and Restrictions, Commentary and Preliminary Draft International Agreement*). The Conference was called upon to say whether it regarded this document as a possible basis for an international Convention.

M. Kotzenberg (International Chamber of Commerce) reminded the Sub-Committee that the Chamber had declared in favour of as rapid a conclusion as possible of an agreement based on principles in conformity with those underlying the scheme prepared by the Economic Committee.

M. Khinchuk (U.S.S.R.) observed that he could not discuss the proposal before the Sub-Committee since it did not take account of the differences existing between the capitalist system and the socialist system of the U.S.S.R., where the State monopoly of foreign commerce exists and, in his opinion, must be maintained.

In the course of the discussion, various proposals were put forward, the import of which, with the reception accorded to them, may be indicated.

M. Dolezal (Poland) had proposed an amendment which aimed at avoiding, by the conclusion of veterinary conventions, economic protectionism under the disguise of sanitary protection and phytopathological measures.

The Sub-Committee was, in principle, in favour of a declaration of this kind, but thought that the question fell within the competence of the Committee on Agriculture, to which M. Dolezal's proposition was consequently referred.

The same procedure was followed with regard to a second proposition by M. Dolezal for the completion of the Draft Convention for the Abolition of Import and Export Prohibitions and Restrictions by a clause for the settlement, by special arbitration committees formed in connection with the League of Nations, of differences arising between States on the subject of economic protectionism under the disguise of sanitary measures of a veterinary or phytopathological nature.

The Sub-Committee gave its sanction to the first of the two ideas enunciated by M. Dolezal by affirming, in its second recommendation on the subject in question (see the Final Report of the Conference, Volume I), that the application of the principles laid down in the Draft Convention should not be indirectly defeated by . . . "the fixing of health regulations or any other measures . . ."

In response to a desire expressed by M. Paasikivi (Finland) for the affirmation in paragraph 2 of the

draft of M. Serruys of the right of every State "to take all necessary measures to protect the vital economic and financial interests of the country", the Sub-Committee added to the phrase "or any other measures" quoted above, the words "not justified by exceptional or imperative circumstances".

Sir Campbell Rhodes (India) observed that Article 6 of the Draft Convention drawn up by the Economic Committee provided that the proposed Convention should not come into operation before it had been ratified by a certain number of States, including the principal European States which should be enumerated. In this connection, Sir Campbell Rhodes remarked that India, a country of 320 million inhabitants was, with Japan, the largest industrial country in the East; he therefore asked that the name of his country should figure in the list of nations whose ratification of the Agreement appeared to be indispensable.

M. Naotake Sato (Japan) supported this observation as far as his country was concerned. The Sub-Committee, however, decided that this was a question for the special Conference charged with the drawing-up of the Convention, which would no doubt do justice to Sir Campbell Rhodes' request.

M. Barboza Carneiro (Brazil) had proposed an amendment in connection with cases in which export duties were imposed solely for revenue and without discrimination, but this amendment was thought to be unnecessary in view of the express reference in the resolution to the commentary accompanying the Draft Convention of the Economic Committee of the League of Nations, the principles of which had been adopted and recommended.

Professor Cassel (Sweden) would have liked the adoption of a special recommendation for the abolition of "all prohibitions and all other hindrances to the export of capital", and of a declaration affirming "the great importance that capital should at every moment be employed where it is most urgently needed, and it is particularly desirable that the capital supplied to the colonial world should again reach the dimensions which are required for that development of these countries which is in the interest of all the world".

The latter part of Professor Cassel's motion was waived as falling outside the competence of the Sub-Committee. With regard to the first part, the Sub-Committee thought that it had done justice to the idea underlying this proposal by the third part of the resolution relative to import and export prohibitions, which recommended that the application of the principles enunciated "should not be indirectly defeated by restrictions on the free circulation of capital".

4. COMMERCIAL EQUALITY OF STATE ENTERPRISES AND PRIVATE ENTERPRISES.

On the question of the commercial equality of State enterprises and private enterprises, Sir Hubert Llewellyn Smith (member of the Economic Committee of the League of Nations), basing his remarks on the documentation prepared by the Secretariat (C.E.I.33(1). — *Immunities of Commercial or Transport Undertakings controlled by the State from Charges and Obligations to which similar Private Undertakings are subject*), described the consequences of the direct or indirect participation of the State in the direction or control of industrial, banking, commercial, and, especially, in shipping enterprises.

Without attempting to estimate the reciprocal merits of the two systems of State monopoly and free initiative, he pointed out that, since the war, Governments had taken an increasing part in enterprises of this kind; they assumed a right to claim for these undertakings economic and fiscal privileges which conferred upon them, as compared with similar private enterprises, advantages which were inadmissible.

He recalled the fact that the last Conference on Maritime Law, held at Brussels, had taken a first step in this matter by drawing up a draft convention to put a limit to the claims of Government ship-owners, who pleaded national sovereignty in order to escape the penalties provided for by maritime legislation. He accordingly submitted a draft resolution asking that private enterprises and State enterprises should in time of peace be placed on a footing of equality.

This draft was accepted practically without discussion, and underwent only slight changes in form (see *Final Report of the Conference: Commerce III. — 2. Commercial Equality of State Enterprises and Private Enterprises*).

5. LEGAL PROVISIONS OR REGULATIONS RELATING TO INTERNATIONAL TRADE.

The resolution on this subject was adopted on the motion of Sir Hubert Llewellyn Smith, who drew attention to the work accomplished by the Economic Committee of the League of Nations and by the International Chamber of Commerce in connection with the questions dealt with in the resolution, and to the considerable importance attaching to these questions.

6. ECONOMIC AND FISCAL TREATMENT OF NATIONALS AND COMPANIES OF ONE COUNTRY ADMITTED TO SETTLE IN THE TERRITORY OF ANOTHER.

Sir Hubert Llewellyn Smith recalled the work of the Economic Committee of the League of Nations on this question. The Committee had limited its enquiry to the position of foreigners after their admission to a country, without entering into the difficult and complex problem of admission itself. He recalled the two series of recommendations made by the Economic Committee in 1923 and 1924, which were communicated by the Council to all the Governments of the States Members of the League. These were available in document C.E.I. 41. — *Report on the Economic Work of the League of Nations*, pages 24-26. He pointed out that the International Chamber of Commerce desired to advance further, and had drawn up a draft convention based on the same principles. (See C.E.I.5.(1). — *Final Report of the Trade Barriers Committee of the International Chamber of Commerce*, pages 20-23).

The Sub-Committee favoured the meeting of a Conference for the drawing-up of an international statute on the treatment of foreigners and for the abolition of unjust discrimination between them and the nationals of the State concerned, and of surtaxes on foreigners, but thought that the competent organs of the League of Nations should first be asked to examine the conclusions reached by the International Chamber of Commerce and the Economic Committee of the League, and that, in the meantime, the situation would be substantially improved by the conclusion of bilateral agreements inspired by the same principles. At the same time, the Sub-Committee enumerated some

of the principal points which these bilateral agreements and this future Convention might embody.

Sadik Henein Pasha (Egypt) had submitted a motion that the Conference should express its disapproval of "the maintenance of fiscal conditions which make it impracticable for a Government to subject foreigners to the same measures of direct taxation to which its own nationals may be liable".

The Sub-Committee thought that this proposal lay outside its competence, because of its political aspects, and its author expressed his agreement with the text finally adopted.

7. VARIOUS PROPOSITIONS.

Sir Norman Hill (British Empire) submitted a proposal with regard to the adoption of uniform regulations on the form, construction and manning of vessels by international agreement. This proposition was, however, referred to Sub-Committee 3.

The Sub-Committee was also invited to examine a proposal submitted by M. Barbosa Carneiro (Brazil) to Sub-Committee 3, which aimed at preventing fraudulent practices in free ports and free zones in regard to foodstuffs and beverages; but it was thought that the idea was already expressed in resolution No. 3, asking that, "with a view to obtaining rapid and general solutions, the Economic Committee of the League of Nations should pursue the investigations undertaken with a view to... the suppression of unfair commercial practices".

The text of the resolutions adopted by the Sub-Committee for submission to the Committee on Commerce are given below. For their final form, see the Report of the Conference, Vol. I.

8. DRAFT RESOLUTION (ADOPTED ON MAY 14TH, 1927.)

"A. Import and Export Prohibitions and Restrictions.

"The Conference is convinced that a return to the effective liberty of international trading is one of the primary conditions of world prosperity.

"The experience of the years since the war proves that import and export prohibitions, and the arbitrary practices and disguised discriminations which result therefrom, together with the obstacles of all kinds placed on the circulation of goods and capital, have had deplorable results by hampering the normal play of competition, by imperilling both the essential supplies of some nations and the not less indispensable markets of others, and by bringing about an artificial organisation of production, consumption and distribution.

"Experience has shown, moreover, that the grave draw-backs of these measures have not been counter-balanced by the financial advantages or social benefits which were anticipated.

"It is therefore important for the recovery and future development of world trade that the Governments should forthwith abandon an economic policy which is injurious to the interests both of their own and other nations.

"A considerable step will have been taken in this direction if, as a result of the Diplomatic Conference convened for November 14th, 1927, the Governments adopt a convention based upon the draft prepared by the Economic Committee of the League of Nations on the subject of import

and export prohibitions and restrictions, taking into account also the principles enumerated in the commentary accompanying the said draft and the proposals of the International Chamber of Commerce on this subject.

"The aim in view would not, however, be achieved if the acceptance of this convention were merely formal, and if its provisions were rendered inoperative by export duties, the fixing of quotas, the imposition of unjustified health regulations or by any other means.

"Accordingly, the Conference recommends :

"(1) That the draft International Convention for the Abolition of Import and Export Prohibitions and Restrictions as prepared by the Economic Committee of the League of Nations and submitted to the Governments Members of the League and to the principal non-Member States constitutes, with its accompanying commentary, a very satisfactory basis for the Diplomatic Conference convened for November 14th, 1927, and should be utilised to lead to a prompt general agreement permitting the greatest possible number of nations by their concerted and simultaneous action to bring about favourable conditions for the recovery and development of the production and trade of all countries ;

"(2) That, moreover, the application of the principles laid down in this draft should not be indirectly defeated by such means as export duties, the fixing of quotas, health regulations or any other measures not justified by exceptional or imperative circumstances ;

"(3) And, further, that the application of these principles should not be indirectly defeated by restrictions of the free circulation of capital — including, for example, any system for controlling exchange which impedes the purchase or exportation of foreign exchange for the purpose of paying for goods imported.

"B. Limitation, Regulation or Monopolisation of Trade.

"I. Commercial Equality of State Enterprises and Private Enterprises. — The Conference has considered the fact that certain Governments, when participating in the control or management of commercial, industrial, banking, maritime transport or other enterprises, have claimed, in virtue of their own sovereignty, various privileges, immunities or other advantages for the benefit of these enterprises and have also at times secured the grant of similar advantages from other countries by virtue of international comity.

"Noting that these advantages give the enterprises benefiting from them an unduly privileged position as compared with similar private enterprises, the Conference declares that they constitute an infringement of free competition by making a discrimination between enterprises carried on side by side.

"Accordingly, the Conference recommends :

"That, when a Government carries on or controls any commercial, industrial, banking, maritime transport or other enterprise, it shall not, in its character as such and in so far as it participates in enterprises of this kind, be treated as entitled to any sovereign rights, privileges or immunities from taxation or from other liabilities to which similar privately owned undertakings are subject, it being clearly

understood that this recommendation only applies to ordinary commercial enterprises in time of peace.

"II. Legal Provisions or Regulations relating to International Trade. — The Conference recognises that it is important that the work of the Economic Committee of the League of Nations and the International Chamber of Commerce in connection with the simplification of Customs formalities, the co-ordination of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices, should be continued with a view to obtaining rapid and general solutions, and that all measures should be taken by the League of Nations and by Governments to increase the number of accessions to Conventions already concluded or which may be concluded on these questions.

"Accordingly, the Conference recommends :

"That, with a view to obtaining rapid and general solutions, the Economic Committee of the League of Nations should pursue the investigations undertaken with a view to the simplification of Customs formalities, the co-ordination of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices, and that all the necessary measures should be taken by the League of Nations and by Governments to increase the number of accessions to Conventions already concluded or which may hereafter be concluded on these matters.

"C. Economic and Fiscal Treatment of Nationals and Companies of One Country admitted to settle in the Territory of Another.

"The Conference considers that the granting of the legal, administrative, fiscal and judicial guarantees necessary to the nationals, firms or companies of a State admitted to exercise their trade, industry or other occupation in the territory of another State or to settle there, is one of the essential conditions of economic co-operation between nations.

"Taking note of the important work already devoted to this subject by the Economic Committee of the League of Nations and by the International Chamber of Commerce, the Conference considers it desirable that their conclusions should be considered and co-ordinated by the appropriate organs of the League of Nations with the view to their submission to a diplomatic conference for the purpose of determining the best methods of defining the status of foreigners, of abolishing unjust distinctions between them and nationals, and of preventing double taxation. The purpose of this conference would be to draw up an international Convention.

"But before the latter could settle the question as a whole, bilateral agreements providing for equitable reciprocity and based on the guiding principles referred to above might effect a valuable improvement in the present situation.

"Accordingly, the Conference recommends :

"(1) That, pending the conclusion of an international convention, bilateral agreements should be arrived at on the basis of the work already accomplished by the Economic Committee of the League of Nations and by the International Chamber of Commerce, defining

the status of foreigners, not only from the economic but from the legal and fiscal points of view ;

“(2) That, in the same spirit and with the same end in view, the Council of the League of Nations should prepare for the meeting of a diplomatic conference for the purpose of drawing up an international convention ;

“(3) That, in drawing up these agreements and the texts to be submitted to the Conference, the following points among others should be borne in mind :

“(a) Equality of treatment with regard to conditions of residence, establishment, removals and circulation between foreigners admitted to a State and the nationals of that State ;

“(b) Conditions of carrying on trade, industry and all other activities by foreign persons and enterprises ;

“(c) Legal status of the same persons and enterprises ;

“(d) Fiscal status of the same persons and enterprises.”

FIRST COMMITTEE (COMMERCE)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 2 (Customs Tariffs and Commercial Treaties)

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FIRST COMMITTEE (COMMERCE)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 2 (CUSTOMS TARIFFS AND COMMERCIAL TREATIES)

1. AGENDA AND OUTLINE OF WORK.

The plenary Committee on Commerce, after its second meeting (Monday, May 9th), divided into three Sub-Committees and did not meet again as a full Committee until its third and last meeting on May 20th.

At the first plenary meeting of Sub-Committee 2 (Tuesday, May 10th, M. Colijn (Netherlands), Chairman, outlined the programme of work.

The agenda consisted of Item 2 of "Commerce" in the original Agenda, viz.:

" 2. Customs Tariffs and Commercial Treaties. Obstacles to international trade arising from:

" (a) Form, level and instability of import and export tariffs;

" (b) Customs nomenclature and classification."

Assuming that the general discussion could be finished in two or three meetings, the Chairman thought a Drafting Committee might be appointed to put together the resolutions of the Sub-Committee and submit them to the full Sub-Committee at a later meeting. This, with various other details of arrangements outlined by him, would, he explained, meet to a certain extent the objections of M. Khinchuk (U.S.S.R.) and M. Loucheur (France) to holding simultaneous meetings of Sub-Committees, objections which had been raised in the first meeting of the plenary Commerce Committee.

Accordingly, at the third plenary meeting of the Sub-Committee, a Drafting Committee was appointed, under the chairmanship of M. DI NOLA (Italy), M. Stucki (Switzerland) having declined. It was announced by M. Colijn (Netherlands), Chairman of the Sub-Committee, that members of the Drafting Committee could be aided or replaced by experts.

The Drafting Committee, in its turn, appointed at its first meeting two Drafting Sub-Committees, which prepared texts on the different matters forming the subject of the resolutions.

The drafts so prepared by the Drafting Sub-Committees were then submitted to the Drafting Committee, which, after discussion thereon, amendment thereto, and adoption thereof, submitted them to the full Sub-Committee, which, after going through the same process, submitted them finally to the Commerce Co-ordination Committee for inclusion in the Final Report of the Commerce Committee.

2. COMPOSITION AND LIST OF MEETINGS OF THE SUB-COMMITTEE AND OF THE DRAFTING COMMITTEES.

The composition of Sub-Committee 2 was as follows:

Chairman : M. COLIJN (Netherlands);
Rapporteurs : Mr. Norman DAVIS (U.S.A.);
M. GÉRARD (Belgium).

Members and Experts : (the letter E signifies that the person indicated is an expert):

Sir David GORDON (Australia);
Mr. Alex. F. BELL (Australia);
M. R. RIEDL (Austria);
Dr. R. SCHÜLLER (Austria);
M. V. SERWY (Belgium);
M. BARBOSA-CARNEIRO (Brazil);
Mr. W. T. LAYTON (British Empire);
M. J. BOURILKOFF (Bulgaria);
M. Chuan CHAO (China);
M. A. J. RESTREPO (Colombia);
H. E. M. G. DE BLANCK (Cuba);
M. J. DVOŘÁČEK (Czechoslovakia);

Deputy : Dr. V. IBL or (Czechoslovakia);
" Dr. Z. FAFL (E) (Czechoslovakia);

M. R. TAYERLE (Czechoslovakia);
Wahbé IBRAHIM BEY (Egypt);
M. BAXTER (Egypt);
M. Johan KUKK (Estonia);

Deputy : M. A. OINAS (E) (Estonia);

Dr. H. RAMSAY (Finland);
M. LOUCHEUR (France);
M. SERRUYS (France);
M. JOUHAUX (France);
Dr. E. TRENDELENBURG (Germany);
M. P. PAPATZONI (Greece);
M. A. DI NOLA (Italy);
M. Tetsujiro SHIDACHI (Japan);
Dr. Teijiyo UYEDA (Japan);

Deputy : M. S. MATSUYAMA (E) (Japan);

M. C. BALODIS (Latvia);
M. N. RYGG (Norway);
Sir George ELLIOT (New Zealand);

Deputy : Mr. V. M. R. STUDHOLME
(New Zealand);

M. Joan GELDERMAN (Netherlands);
M. MOLITOB (Persia);
M. F. DOLEZAL (Poland);

Deputy : M. H. GLIWIC or (Poland);
M. E. TREPKA (Poland);

M. F. A. CORRÊA (Portugal);
M. N. MURGASIANU (Roumania);
M. E. NECULCEA (Roumania);

Deputy : M. G. GAFENCU (E) (Roumania);

Dr. M. H. DE KOCK (South Africa);
M. V. G. LUNDAVIK (Sweden);
Professor CASSEL (Sweden);
M. W. STUCKI (Switzerland);
M. L. KHINCHUK (U.S.S.R.);
Deputy: M. KAUFMANN (E) (U.S.S.R.);
Mr. J. KLEIN (U.S.A.).

Members appointed by the Council:

Mlle E. C. VAN DORP;
Dr. K. KOTZENBERG (International Chamber
of Commerce);
Deputy: M. A. DE LAVERGNE.

Expert invited by the President of the Conference:

M. Jules BRUNET.
(International Chamber of Commerce).

* * *

Sub-Committee 2 held five meetings, under the
Chairmanship of M. COLLIN (Netherlands), on
May 10th (two), 11th, 14th and 17th.

At its third meeting it appointed a Drafting
Committee, consisting of thirteen persons, under
the Chairmanship of M. DI NOLA (Italy), viz.:

M. DI NOLA (Chairman);
M. BRUNET (Belgium) (expert invited by the
President of the Conference);
M. BARBOZA-CARNEIRO (Brazil);
M. CASSEL (Sweden);
Mlle. VAN DORP (Netherlands) (member
appointed by the Council);
M. DVOŘÁČEK (Czechoslovakia);
M. GLIWIC (Poland) (Deputy: M. OKOLSKI);
M. KOTZENBERG (International Chamber of
Commerce);
(Deputy: M. DE LAVERGNE);
Mr. LAYTON (British Empire);
M. SCHÜLLER (Austria);
M. SERRUYS (France);
M. STUCKI (Switzerland);
Dr. TRENDELENBURG (Germany).

The Drafting Committee held five meetings, on
May 11th, 12th, 13th and 16th (two).

At its first meeting it appointed two Drafting
Sub-Committees, consisting of four and five persons
respectively, which held meetings as follows:

First Drafting Sub-Committee (consisting of
M. BRUNET, M. CASSEL, M. SERRUYS and M.
TRENDELENBURG, under the Chairmanship of
M. SERRUYS), dealing with Simplification of
Tariffs, Unification of Tariff Nomenclature and
Stability of Tariffs: first (and only) meeting, on
Thursday, May 12th.

Second Drafting Sub-Committee (consisting of
M. DVOŘÁČEK, Mr. LAYTON, M. SCHÜLLER, M.
SERRUYS and M. STUCKI, under the Chairmanship
of M. SERRUYS), dealing with Tariff Levels and all
remaining questions: five meetings, on May 12th,
13th, 14th (two) and 17th.

With the Drafting Committee and the Drafting
Sub-Committees were associated the Chairman
(M. COLLIN) and the two Rapporteurs, Mr. Norman
DAVIS (U.S.A.) and M. GÉRARD (Belgium), of the
full Commerce Committee, and Sir Hubert
LLEWELLYN SMITH (member of the Economic
Committee of the League of Nations, expert
invited by the President of the Conference).

3. SUBJECTS.

The following Summary covers the work done in
Sub-Committee 2, its Drafting Committee and its
Drafting Sub-Committees. This Summary is not
strictly chronological, but is given in order of

subjects; it is, however, as far as possible, chrono-
logical within the subjects discussed; the order of
those subjects is that adopted in the Final Report
of the Conference. Matters not falling under any of
of the subjects indicated above (including any
proposal not adopted and not falling within the
scope of the whole report of the Conference) are
dealt with at the end of this Summary. The
subjects were:

Customs Tariffs:

Simplification of Customs Tariffs;
Unification of Tariff Nomenclature;
Stability of Customs Tariffs;
Application of Tariffs;
Customs Formalities;
Trade Statistics.

Commercial Policy and Treaties;

Tariff Levels;
Fiscal Charges imposed on Imported Goods;
Export Duties;
Commercial Treaties.

The treatment according to "subject" order in the
following Summary has been departed from slightly
in one particular. It will be noticed that, under
the subject heading "General", there is recorded
a certain amount of preliminary discussion on tariff
levels. This is done for three reasons:

(a) The main work of Sub-Committee 2 centred
round the problem of tariff levels. Therefore, to
have relegated all record of it entirely to a later
stage in this Summary would have given if not a
misleading impression at any rate a wrong emphasis;

(b) The exchange of views on this subject in
the first three meetings of the full Sub-Committee
had an important effect on its subsequent work by
bringing into light at an early stage the two main
currents of opinion — Free Trade and Protection,
by showing how far they were mutually reconcilable,
and by indicating to what extent compromises
in the drafting stage might be expected to obtain
subsequent unanimity;

(c) Because, in practice, it would have been
impossible to isolate discussion on general matters
to the exclusion of discussion on tariff levels, and
at the same time to reflect with any degree of
accuracy the views expressed, because the question
of tariff levels was in fact the main thread running
through the general discussion.

4. GENERAL.

The first three meetings of the full Sub-Committee
were devoted to a general exchange of views, in
many cases with particular reference to the
proposed resolutions in the texts already before
the Sub-Committee at the first meeting, viz.

(a) The proposals contained in the Final
Report of the Trade Barriers Committee of the
INTERNATIONAL CHAMBER OF COMMERCE (see
Annex A, page 83); and

(b) The proposals of M. SERRUYS (France),
read by him at the first plenary meeting of the
Committee (see page 13), particularly Items B
(Unification of Nomenclature) and C (Tariffs).

Most of the speakers were in favour of both these
texts in the main, with reservations on particular
points, the first question being which text should
be taken as a basis.

The detailed criticism of and proposed amend-
ments to these two texts are dealt with later on,
under the various subjects. It was eventually

decided to take the text of M. Serruys as a basis, and weave into it various proposals of the International Chamber of Commerce and others.

In the first three meetings, too, references were made by various speakers to the commercial policy followed in their respective countries.

* * *

M. Schüller (Austria) opened the discussion at the first meeting. He emphasised the growing tendency during the past thirty years, and particularly in post-war years, not to increase exports but to diminish imports by protectionism. This, he considered, was a fundamental error. The development of internationalisation in banking, shipping, transport, industry and workers was increasing, and the time had now come when it should be extended to trade relations. (see also Annex E, page 93).

M. Okolski (Poland), speaking at the first meeting on Unification of Tariff Nomenclature, Stability of Tariffs and Publicity of Tariffs, recommended a study of M. Brunet's document on "Stability of Customs Tariffs" (C.E.C.P. 71 (1)), Dr. Trendelenburg's study on "Customs Nomenclature and Classification" (C.E.I. 32), and the proposals of the International Chamber of Commerce (C.E.I. 5 (1)). He subsequently submitted various proposals which are dealt with further on, under the different subjects.

M. Uyeda (Japan) said that the main object was the removal of Customs barriers. National self-sufficiency was neither desirable nor practicable. Simplification of nomenclature should not involve detriment to the most-favoured-nation clause; in treaties, tariffs as well as the most-favoured-nation clause should be included. Lastly and most important were tariff levels.

The proposals of the Japanese members on these subjects, as expressed at this the first meeting, were at the Chairman's suggestion, subsequently drafted and distributed. They are as follows :

"A. Form, Level and Instability of Import and Export Tariffs.

"1. Each State should communicate at least once every six months to the Secretariat of the League of Nations the *ad valorem* basis of specific duties of certain articles which occupy an important position in international trade and which may be laid down by the Committee. A list of these specific duties will be forwarded to all States by the Secretariat of the League of Nations.

"2. The rates of Customs duties should be gradually lowered in the following order of categories of articles :

- (a) Articles of luxury ;
- (b) Manufactured articles ;
- (c) Half-manufactured articles ;
- (d) Articles of daily necessity ;
- (e) Raw materials necessary for manufacture.

"3. Export tariffs should be abolished and, for the purpose of retaining necessary raw material, etc., for the security of exporting countries, other measures should be resorted to.

"B. Customs Nomenclature and Classification.

"While it is advisable to realise uniformity and simplification of Customs nomenclature and classification, the Japanese delegation proposes that classification should at least not be so devised as to exclude certain articles from

enjoying the most-favoured-nation treatment which is accorded them, whether by the mention of the origin (*e.g.*, silk) of articles or by other measures of classification of a particular character (*e.g.*, engine).

"C. Customs Tariffs and Commercial Treaties.

"In commercial treaties concessions on tariffs are recommendable. Such concessions serve to lower the rates of Customs duties of the parties concerned, but, unless the treatment of the most-favoured nation is applicable in this case, they serve to discriminate the commerce of a third country. The Japanese delegation therefore proposes that the following resolution be adopted:

"'In commercial treaties the most-favoured-nation treatment concerning Customs duties should be provided.'"

Mlle. van Dorp (member appointed by the Council), speaking at the first meeting, thought that the moral principles underlying trade barriers should be examined as well as the facts. She considered that reduction of duties was essential. Of five problems now prominent in the world — raw materials, trusts, wages, population, and freedom of trading — the last fell within the competence of the Conference.

M. Gérard (Belgium), speaking not as Rapporteur but as a representative of Belgian industry, stated at the first meeting that the fundamental problem was the reduction of Customs duties. Unification of nomenclature was a secondary problem; in itself it would not entirely eliminate difficulties, but it would help — *e.g.*, the International Trade Statistics Classification of the Brussels Convention 1913, if extended and universally adopted for trade statistics and tariffs, would be very useful in the practical negotiation of treaties.

A resolution to that effect might be adopted, taking as a basis the proposal of M. Serruys and the proposals of the International Chamber of Commerce, and, as point of departure, the document of Dr. Trendelenburg (C.E.I.32), beginning with the nomenclature of those industries in which a certain degree of common nomenclature already exists.

M. Ansiaux (Belgium), speaking on the question of tariff levels, at the first meeting, said he preferred the text of the international Chamber of Commerce (Annex A, page 83), because it did not contain the qualification — though indeed it was a limited qualification — of M. Serruys regarding prices in the principal competing country ("...protection limited to counterbalancing more favourable conditions of production or a more advantageous regime of prices in the principal competing country"). The restriction of this qualification to the principal competing country would still leave the evils of protection.

Professor Cassel (Sweden), at the second meeting, submitted various proposals supplementary to those of M. Serruys, with most of which he was in agreement. On tariff levels, he proposed :

"Recognition of the positive utility of the division of labour and of the futility of the idea that Customs duties should aim at equalising the costs of production at home and abroad whatever the differences in the cost may be ;

"Recognition of the principle that it cannot be good economy to protect a trade if for that purpose Customs duties above a certain maximum are required.

"Recognition of the principle that protection should never exceed a certain maximum level."

M. Serruys (France), at the second meeting, remarked that his proposals (freedom of trade in Sub-Committee 1 and tariffs in Sub-Committee 2) had become a target for the British, Belgian, Swiss and German members. This he had expected and welcomed. He replied to the various points of Professor Cassel's proposals. These are dealt with in detail further on, under the various subjects.

On tariff levels, M. Serruys said the danger was that resolutions on matters of principle could be easily obtained unanimously, but States would not apply them in practice. As distinct from M. Riedl's method of reducing tariffs each year by, say, 2½ per cent, and Professor Cassel's method of maximum rates, M. Serruys proposed, as a bare minimum, the amount of protection sufficient to counterbalance the more favourable conditions in the principal competing country (his original proposal). He agreed with the principles of the resolutions of the International Chamber of Commerce, but thought something much stronger and more definite was required in the way of resolutions — resolutions that would not be simply an expression of principles on which unanimity would be easily obtainable, but resolutions that would be followed by action, as a first step in the demobilisation of tariffs. He therefore advocated a return to the ideas of compensatory duties. Though his proposals had been attacked as protectionist, they were not so, for he would remind members of the fundamental differences between post war protectionism and pre-war protectionism. On the question of maximum rates, he agreed with Professor Cassel so far as raw materials and semi-manufactured goods were concerned. With manufactured goods, however, the case was different; here, as a definite maximum rate cannot in practice be applied, and as a limit is desirable, he had proposed as a strict minimum what the industry could bear, namely, a counterbalancing duty.

M. Serruys then outlined the development of the German and French tariffs from 1891 and 1892. The danger of the most-favoured-nation clause was that, although it put all countries on an equal footing, it did not, *per se*, reduce tariffs. It should be accompanied by a guarantee of tangible reciprocity and a real decrease in duties. He proposed to put in some suggestions on this question on the following day. (M. Serruys' proposals on the most-favoured-nation clause in commercial treaties are contained in Annex F, page 94).

Mr. Norman Davis (U.S.A.) said, at the second meeting, that the United States members had examined with deep interest the proposals of M. Serruys, with most of which they were substantially in accord. But, he asked, was it necessary to put off till some years hence the application of the principles adopted? Although he agreed with M. Serruys in the main, he thought that the text of the International Chamber of Commerce represented the crystallisation of international thought on this subject; therefore it would be better to take it as the basis for the Sub-Committee's resolutions and work into the text such proposals of M. Serruys as were advisable.

He outlined the position of the United States in regard to the most-favoured-nation clause, and their return to the unconditional most-favoured-nation clause in 1922 after more than a century's experience of the clause in its conditional form. The most fundamental principle was equality of treatment. He promised to submit later, on behalf of the United States members, a statement for the Drafting Committee on these questions (see Annex C, page 88).

M. Layton (British Empire), speaking at the second meeting, for the British members, associated himself with the praise given to the work of M. Serruys. On the whole, he supported this document, except in certain particulars, which are dealt with later on, under the various subjects.

Mr. Layton associated himself with some of the speakers who criticised the doctrines of M. Serruys; he disagreed with certain of M. Serruys' principles, but agreed with most of his conclusions. He could not, however, agree that the exporting country should provide penalties for improper declarations made with a view to defrauding the Customs of the importing country. If a country imposed a duty on imports it was that country's business to see that the exporter gave a proper declaration. He agreed with M. Serruys that some of the International Chamber of Commerce resolutions were not definite enough. So far as he had seen, all the ideas adumbrated, either in the direction of a maximum duty or the gradual reduction of duty, would receive the hearty support of Great Britain.

Regarding Item (1) of M. Serruys' proposals on tariff levels (see page 13), he agreed with other speakers that this method, namely, limiting protection to the counterbalancing of more favourable conditions prevailing in the competing country, could not be applied in practice in any satisfactorily exact way, owing to the difficulties of arriving at cost of production. Even if production costs were so found, and M. Serruys' system were applied, it would not be a good thing to see countries putting on compensatory tariffs in an attempt to equalise what was really unequal, because the basis of foreign trade, namely, the differential costs of production, would then no longer exist. Consequently, this particular item was: (a) impracticable and (b) undesirable. He doubted whether a single tariff rate in Europe would be lowered as a result of the adoption of this principle of compensatory duty. It would be construed as an endorsement of the *status quo*, because for any tariff it might be argued that that tariff was justified under those conditions. The thesis of the Conference was to develop trade.

Great Britain, he said, was looking to this Conference for definite results. Her people would think, if the principle of protectionism, even limited to compensatory duty, were adopted, that the other European countries had no intention of doing anything. There were currents in Great Britain tending to drive her in the direction of protectionism, faced, as she was, with the protectionist tariff of Europe.

He also dealt with the various arguments for high tariffs — monetary stabilisation, national defence, and budgets. As regarded the last, the Tariff Levels Indices document of the Economic Section of the Secretariat of the League of Nations (document C.E.I. 37, page 21) would show the futility of this argument.

Finally, it was the duty of the Conference to guide public opinion by a practical expression of what was urgently in need of being done, even though the resolutions might not be carried into immediate effect, and on this point he wished to defend M. Serruys.

M. DVOŘÁČEK (Czechoslovakia), at the second meeting, said he thought the present state of disequilibrium was due largely to the fundamental change in the distribution of industrial and agricultural production. Now that exchanges were stabilised, the Conference should put forward proposals that were not only ideal, but also practically realisable. After referring to the abolition of restrictions or prohibitions, which had

been studied by the Economic Committee, he dealt with the most important matter and the most equitable in contractual methods, namely, the most-favoured-nation clause, which, in spite of its disadvantages, avoided discrimination. The most-favoured-nation clause should be completed by conventional tariffs. He agreed with Mr. Layton on the question of tariff levels, and, although an exact figure of compensatory duties necessary for equitable protection could not be established, the Conference should express an opinion that such duties were not only a danger to international trade but also to the country imposing them.

M. Rygg (Norway), at the second meeting, supported the proposals of the Trade Barriers Committee (International Chamber of Commerce) (document C.E.I. 5 (1)). He referred to the question of shipping in that document, page 25.

M. Avsenek (Kingdom of the Serbs, Croats and Slovenes), at the second meeting, referring to the reasons for the protectionist policy of the new States, said that fiscal necessities and the reduction of unemployment were cited. He was afraid that the new States would not be favourable to tariff reduction.

Sir Campbell Rhodes (India) explained, at the second meeting, that India's tariff was increased for revenue purposes and not for bolstering up unsuitable industries. In principle, she was a free-trade country.

M. Ramsay (Finland), speaking at the second meeting, thought that the Conference should confine itself to establishing principles, leaving each country free to apply them as it wished, owing to the difficulty in practice of finding a system suitable for all. The most-favoured-nation clause should not be rigidly imposed, as it would render difficult the tariff relations of small countries.

M. de Lavergne (International Chamber of Commerce), speaking at the third meeting, remarked that M. Serruys' proposals had much in common with those of the Chamber. As regarded the principal point — tariff levels — three systems had been put forward: (1) tariff maxima on each category of goods; (2) the French proposal of equitable compensatory duties; (3) the proposal of the International Chamber of Commerce to confine action to excessive tariffs and those with too many coefficients. The first had been discarded by the International Chamber of Commerce as impracticable; the second was, perhaps, ideal, but they had opposed it because of the different interpretations which would be put upon it in each country; whereas the third, though it might be considered too theoretical, could be made practicable by an international body having some sort of control.

M. Riedl (Austria), at the third meeting, gave explanations concerning the proposals submitted by the Austrian Committee of the International Chamber of Commerce. The principal point of these proposals was a change of method in commercial policy. In the first place, the Austrian Committee suggested joint and parallel negotiations conducted between as large a group as possible of European States for the purpose of substantially lowering their Customs tariffs.

In the past, the system of isolated and strictly bilateral negotiations between one State and another had been followed, to the exclusion of almost every other. The results had not been satisfactory. One tendency had almost always predominated in these negotiations: the tendency, while negotiating, to retain the maximum amount

of protection possible. The Austrian Committee wished now to replace this system by another, by joint negotiations between a group of States who have agreed beforehand to reduce their tariffs to the lowest degree possible. During these negotiations a customs truce should be established. That was the second proposal of the Austrian Committee: the contracting parties should undertake reciprocally not to increase their tariffs during a certain period sufficient to carry the negotiations to a conclusion.

Such agreements involved a certain danger; a situation might be established prejudicial to those countries whose tariffs were lower than those of others. To avoid this danger, the Austrian Committee proposed, thirdly, that all States negotiating on the above basis shall undertake reciprocally to reduce such of their Customs duties as exceeded a certain limit, to be fixed by common agreement between the negotiating States before they enter on the negotiation of details.

The three essential points of the proposed system were as follows:

1. A reciprocal agreement to initiate within a given period negotiations with a view to reducing the level of tariffs;
2. A tariff truce for the duration of this period;
3. The establishment of a maximum for Customs duties in the commercial relations of the contracting States, without prejudice to their national sovereignty and without the establishment of any higher instance to examine the tariffs.

The execution of this undertaking could only be assured by a system of friendly representations and regulations on the part of the advisory and arbitrating authorities. Such an agreement would also make it possible to conclude another agreement for the same period, under which the contracting States accorded to one another the advantages of most-favoured-nation treatment. Such long-term undertakings became possible the moment a moderated tariff regime was assured for the same period. Without such assurance, a commercial treaty concluded on the basis of the most-favoured-nation clause was merely a restriction which could become intolerable, and in some cases disastrous, since it permitted the other party to raise import duties still higher without any fear of retaliation. The most-favoured-nation clause, without the necessary guarantee with respect to tariffs, only led to a closed door.

Sir David Gordon (Australia), at the third meeting, congratulating M. Serruys for his concrete proposals, said he was prepared to accept them in a general way, with drafting modifications. The Australian tariff was frankly protective. As a young country she had to build up her industries, and she also required revenue. What was suitable for Europe might be unsuitable for a young country, which must be left to determine its own course of action. Nevertheless, the Australian tariff included the largest free list of any protective tariff, and statistics showed that imports had greatly increased despite the tariff. Preference was given only to the United Kingdom, Canada and New Zealand, and was mainly reciprocal. Prohibitions were practically non-existent; but stability (in the form of a guarantee against sudden changes in the tariff) was difficult, although the tariff previous to the present (1925) tariff had been in force for five years. On the questions of simplification of nomenclature and procedure, Australia was to-day carrying out the provisions

of the Geneva Convention on the Simplification of Customs Formalities.

M. Barboza-Carneiro (Brazil), speaking personally, at the third meeting, dealt at length with the various questions raised. He considered that the tariff problem was purely European. He gave figures showing that Europe's share in Brazil's imports had decreased from 72 per cent (of Brazil's total imports) in 1913 to 58 per cent (on a higher total) in 1924; but the Brazilian import tariff was not the cause of the decrease. The cause must be sought elsewhere, because Brazil had not granted to any country competitive with Europe preferential treatment on products similar to European products. The Brazilian tariff, continued **M. Barboza-Carneiro**, was largely fiscal, since a great proportion of the Federal revenue was supplied by Customs import duties. The State export duties were purely fiscal, and were not discriminatory. He also pointed out the necessity for abolishing certain unfair practices adopted in European free ports to the detriment of Brazilian produce.

He supported the proposals of **M. Serruys**, and agreed with **Mr. Layton** that the Conference should educate public opinion.

Finally, he appealed to the British members to support the proposals of **M. Serruys** on the suppression of false declarations in Customs documents.

M. Loucheur (France), speaking at the third meeting, in supporting **M. Serruys**, referred to the criticisms of **Mr. Layton**, which, he felt sure, were not intended to be destructive, but he would suggest to him the utility of presenting concrete proposals. On the forms of tariffs, **M. Loucheur** said that iniquities were present in both the autonomous and the double-tariff systems. He would favour asking the Economic Committee to draft resolutions for eventual acceptance by countries in the form of a Protocol. Protectionism was not determined by the relative height of tariffs, e.g., in the case of the South American countries.

Mr. Walter Runciman (International Chamber of Commerce), speaking at the third meeting, as a representative of the International Chamber of Commerce and individually as one of the many whose livelihood depended upon interchange of goods, hoped that the Drafting Committee would proceed in the practical spirit of compromise between the protectionist and the more or less free-trade countries. After a careful analysis of the speeches at the plenary meetings and in this Sub-Committee, he found it a striking tribute to the work of the Trade Barriers Committee of the International Chamber of Commerce that one or other of all their principles had been endorsed in all those speeches. Such unanimity was extremely rare. It was evident there was a genuine desire to bring about an amelioration in the tariff situation. Regarding stability of tariffs, he considered that the business man, as well as Governments, must be given the same assurance of being able to take the long view. Australia or any other country had the sovereign right to adjust her tariffs suddenly, but let her beware lest she earn the condemnation of other countries here represented which desired to lower barriers and not to raise them. Post-war wealth was less than pre-war, and consequently an increased acceleration of the exchange of goods was highly necessary in order to compensate for the smaller volume. Pace was the very essence of the problem, and the greatest obstacle to the acceleration of the movement of goods was to be found in tariff barriers. A practical solution must therefore be reached by the Conference.

M. Bourilkoff (Bulgaria), at the third meeting, in outlining the position of Bulgarian trade, said that the most-favoured-nation clause should be unconditional, and that the granting of mutual equivalent concessions could not be confined to two countries alone but must be adopted by all countries. The granting of conventional tariff rates would be of benefit both nationally and internationally. He also supported the recommendations on simplification and stability of tariffs and unification of nomenclature, and was in favour of reduction of duties as soon as possible, having due regard to revenue necessities and living conditions of the population engaged in important branches of production.

Further, Bulgaria's experience was that restrictions on imports neither stabilised currency nor improved national economic conditions. She had also found it necessary recently to abolish or reduce to 1 per cent *ad valorem* her export duties, although she thus lost what had hitherto been in post-war years a considerable source of revenue.

The Chairman, in closing the discussion at the third meeting of the full Sub-Committee, before proceeding to the business of drafting, thanked the members for their valuable contributions to the discussions, and especially **M. Serruys**, who had done so much to give a proper direction to the discussion.

In connection with the appointment of the Drafting Committee, the Chairman explained that nine of its members were members of the Economic Committee of the League of Nations, who would therefore perhaps be able to see that the Conference resolutions were ultimately carried out.

After the appointment of the Drafting Committee, **M. Colijn** (Netherlands), speaking not as Chairman but as a Netherlands member, emphasised what **Mr. Runciman** had already said. The world expected of the Conference not academic discussions but practical results. He would very strongly recommend the Drafting Committee not to be afraid of using forceful language in the drafting. The Conference must educate public opinion.

5. SIMPLIFICATION OF CUSTOMS TARIFFS.

On this subject there was little discussion in the first three meetings of the full Sub-Committee.

* * *

The Drafting Committee had before it at its first meeting the texts of :

The INTERNATIONAL CHAMBER OF COMMERCE (Items 3 and 5 of Annex A) condemning discrimination by means of classification, and advocating simplification in classification ;

Professor CASSEL (Sweden), advocating the abolition of artificial discrimination between goods of substantially the same nature, as follows :

"This Conference considers the enormous increase in the number of tariff headings and the excessive sub-division of goods which have come into practice after the war to represent a great drawback to the development of international trade, and wishes to recommend the greatest possible limitation in the number of tariff headings.

"It is particularly desirable that the practice of artificially discriminating between goods of substantially the same nature should be discontinued.

'Subdivisions which have nothing to do with the essential character of the commodity in question but only aim at a discrimination between

commodities of different origin, should be avoided."

M. Correa (Portugal) (see Annex B, page 88) :

The JAPANESE MEMBERS : simplification of nomenclature and classification should not be so devised as to exclude articles from enjoyment of most-favoured-nation treatment (see page 47).

M. Serruys said he agreed with Professor Cassel's document.

* * *
The draft prepared by the First Drafting Sub-Committee and submitted to the Drafting Committee was based mainly on the text of Professor Cassel's proposals.

As adopted by the Drafting Committee, it read :

"The Conference considers that the enormous increase in the number of tariff headings and the excessive number of sub-headings in the various items — a practice which has grown up since the war — constitute in many cases a considerable obstacle to the development of international commerce ; that States should refrain from this practice as far as possible: and that consideration should be given to the difficulties it causes as regards the nomenclature which this Conference calls upon the League of Nations to establish.

"The Conference considers that it is above all necessary to avoid tariff sub-headings which do not refer to articles of a different nature and which are merely intended to discriminate between articles of different origin."

It passed through all subsequent stages without discussion or substantial change, and became part of the Final Report of the Conference (see Vol. I).

6. UNIFICATION OF TARIFF NOMENCLATURE.

At the first three meetings of the full Sub-Committee, some discussion took place on the texts of **M. Serruys** and of the INTERNATIONAL CHAMBER OF COMMERCE.

Professor Cassel (Sweden) accepted **M. Serruys'** proposals.

M. Okolski (Poland) submitted certain proposals (see following page). He did not favour the method proposed by the International Chamber of Commerce (its recommendations (c) and (d), viz., that of limited agreements dealing with certain classes of goods. He agreed with the views expressed by **M. Trendelenburg**, in his study on Customs Nomenclature and Classification (document C.E.I. 32), that this method had the great disadvantage of lacking in unity, since the result might be that the sections of the tariff would be subdivided in many different ways. Consequently, he favoured a common nomenclature the main object of which would be the fixing of a minimum of specialisation.

M. Gérard (Belgium) (see page 47 above) said that unification of tariff nomenclature, in combination with statistical nomenclature, would be of use in treaty negotiations, and he thought, in agreement with the International Chamber of Commerce, that a beginning might be made with those industries that already had, in some countries, a certain degree of common nomenclature.

He outlined certain points upon which it was doubtful whether common nomenclature alone would be of great service — the detailed information required by the merchant on any particular tariff item, very often found only in a note or a footnote; the concessions in treaty negotiations, offered and demanded on quite different goods ;

the standardisation of manufacture ; the scale of Customs rates, necessitating standardisation down to the minutest detail.

M. de Lavergne (International Chamber of Commerce) said that, on the practical aspects of this question, the assistance of the Chamber might be used to advantage.

* * *

The Drafting Committee had before it at its first meeting the texts of :

THE INTERNATIONAL CHAMBER OF COMMERCE (see Annex A, page 83).

Dr. Trendelenburg (Germany) (document C.E.I. 32, particularly pages 19-22) : Study on Customs Nomenclature and Customs Classification :

M. Serruys (France), reading as follows :

"Whereas a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection ;

"And whereas it is vitally important to international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names ;

"And whereas every Customs classification should be as objective as possible, lest it should become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country ;

"And whereas a single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and the tariff rate attached to each such stage or type is the means of establishing a graduation of duties in proportion to the value of the goods, the amount of work embodied therein, and the degree of protection which a country desires to give to a certain product in accordance with its conception of national economy ;

"And whereas, since a single nomenclature could thus be adapted to different tariff theories, the adoption of a common nomenclature would remove one of the most definite obstacles to international trade ;

"And whereas the experiment of a nomenclature agreed upon among certain nations for products of special complexity has so far yielded satisfactory results and promoted the development of their mutual relations ;

"And whereas the common adoption of an agreed nomenclature would promote the conclusion of commercial treaties and would prevent their application from becoming the subject of perpetual disputes :

"The International Economic Conference decides to request the League of Nations :

"1. That the study of a systematic nomenclature be undertaken with the help of all the competent services of the League of Nations, and, if necessary, that producers, traders and Customs authorities be consulted jointly, in accordance with a general plan covering all branches of production ;

"2. That a selection be made and an order of priority fixed among the various branches of production, so that the common nomenclature may be gradually established, beginning with those classes of goods for which it can most readily be introduced ;

" 3. That the common nomenclature established in the manner described above be submitted, as and when its parts are prepared, to the Governments, and through them to the producers and traders concerned ;

" 4. That if it should appear, after the study and consultation referred to in the previous paragraphs, that a common nomenclature for various important branches of production can be arrived at without awaiting the establishment of a complete nomenclature, its adoption be proposed at a diplomatic conference of Governments ;

" 5. That, either by bilateral agreements or by a multilateral convention, Governments undertake to employ this common nomenclature in their relations and to bring their methods of Customs clearance and collection of duties into line with it ;

" 6. That the Governments which have adopted the common nomenclature undertake, by bilateral agreement or by a multilateral convention, not to interfere with its application by arbitrary or discriminative specifications ;

" 7. That disputes concerning the interpretation or application of the undertakings referred to above be dealt with by way of amicable settlement, or, failing this, by an arbitral award rendered in virtue of an arbitration clause or of a judgment of the Permanent Court of International Justice, sitting for that purpose with the assistance of specialist assessors.

M. DI NOLA (Italy), containing the following amendments to M. Serruys' proposals above :

" Add to the first paragraph in the preamble, Chapter B, 'Standardisation of Nomenclature' the following : 'and that a fixed nomenclature is also required for duty-free products to ensure the accuracy of Customs statistics'.

" Insert after the words ' . . . established in the manner described above ' in Resolution No. 3 in the same chapter the following : 'and the principles of Customs classification determining the precise value of this nomenclature'.

" Add at the end of Resolution No. 6 in the same chapter the following : 'for the sole purpose of depriving like products of third countries of tariff concessions made in commercial treaties'.

" Delete the last three lines in Resolution No. 7 in the same chapter beginning 'rendered in virtue of' "

M. OKOLSKI (Poland) as follows :

" A resolution might be passed to the effect that the participating States should examine as soon as possible the question of standardising the main headings of Customs tariffs (their division into parts and sections). If they agreed on this important point, it would be advisable to set up a Committee of Experts in connection with the Economic Committee of the League of Nations to prepare a draft for the standardisation of the general framework of Customs tariffs. This Committee would also have the duty of determining certain principles common to all Customs tariffs, and of enquiring into the order in which the various groups of goods should appear in the tariff.

" I am also inclined to consider the theoretical possibility of drawing up a proposal for a standard nomenclature the principal object of which would

be to provide for a minimum of specialisation.

" If the idea of a standard nomenclature entailing minimum specialisation were accepted, it would perhaps also be advisable to enquire whether this nomenclature could be based on the decimal system, as advocated by bibliographers. This might facilitate the adaptation of this nomenclature to the requirements of the most industrialised countries, which would certainly not be content with a minimum of Customs specialisation. Owing to the progress of technical science, it is also to be anticipated that the number of commodities — for instance, chemical products — will rapidly increase."

It was decided to work on the text of M. Serruys as a basis.

The amendments of M. Di Nola mentioned above were adopted, in substance, viz :

(a) In the first paragraph of the preamble there was added the clause to the effect that the fixed nomenclature would also contribute to the exchange of goods not subject to duty and to the improvement of trade statistics ;

(b) In Recommendation (3), regarding submitting the common nomenclature to the Governments at each stage of preparation, a clause was added to the effect that the communication should be accompanied by an explanation of the principles underlying Customs classification ;

(c) In Recommendation (6), that the Governments adopting the common nomenclature should not impair its value by applying discriminatory specifications, a clause was added protecting third States ;

(d) In Recommendation (8) of the Final Report (M. Serruys' No. (7)), M. Serruys' proposed method of settlement of disputes by reference to the Permanent Court of International Justice was deleted, on the proposal of M. Di Nola ; it was decided to replace it by the method now shown *i.e.*, the League of Nations to propose appropriate measures.

A recommendation, on the lines of the International Chamber of Commerce recommendation (f) was added (Recommendation No. (7) of the Final Report), to the effect that States should not be bound to adopt all the subdivisions of the common nomenclature, but they should conform to the rules of classification settled in common.

* * *

The draft resolutions, as prepared by the First Drafting Sub-Committee, and amended by the Drafting Committee, were as follows :

" THE INTERNATIONAL ECONOMIC CONFERENCE:

"Considering that a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection, that it may also contribute to the duty-free exchange of goods and that it constitutes a favourable basis for the improvement of trade statistics ;

"Considering it is of the greatest importance for international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names, supplemented, if necessary, by their scientific designation ;

"Considering that any Customs classification should be as objective as possible, lest it should

become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country ;

“Considering that a single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and that it is not the nomenclature but the rate of duty attached to each such stage or type which is the means of establishing the degree of protection which, in accordance with its own tariff system, a country desires to give to a certain product, in accordance with its conception of national economy ;

“Considering that, in those circumstances, the adoption of a common nomenclature, as has already been shown by its application to products of special complexity, would help to remove a subject for dispute which might become an obstacle to international trade ;

“Considering that the common adoption of an agreed nomenclature would promote the conclusion of commercial treaties and would prevent their application from becoming the subject of perpetual disputes :

“Recommends :

“(1) That the Council of the League of Nations should take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisations concerned, a systematic Customs nomenclature in accordance with a general plan covering all branches of production ;

“(2) That a selection be made and an order of priority fixed among the various branches of production, so that the common nomenclature may be gradually established, beginning with those classes of goods for which it can most readily be introduced ;

“(3) That the common nomenclature thus obtained should be submitted to the various Governments at each stage of preparation, and should then be transmitted to the producing and commercial circles concerned, and that such communication should be accompanied by an explanation of the principles underlying Customs classification and the arrangement of items ;

“(4) That, if the adoption of a common nomenclature for various important branches of production seems, after the enquiry and consultation referred to in the preceding paragraphs, to be realisable before a complete nomenclature has been established, the adoption of such nomenclature should be suggested to the Governments by means of a diplomatic conference or by other means ;

“(5) That, either by means of bilateral agreements or by a plurilateral convention, or by any other procedure, Governments should undertake to apply this common nomenclature and bring their methods of passing goods through the Customs and levying duties into line with it ;

“(6) That the Governments which have adopted the common nomenclature should undertake not to impair its value by applying arbitrary or discriminatory specifications to the detriment of third States ;

“(7) That, notwithstanding the above provisions, States should not be bound in practice to introduce into their Customs tariffs all the subdivisions of the common nomenclature,

it being understood that they will conform, in the headings they use, to the rules of classification and description which have been settled in common ;

“(8) That, in order to ensure the execution of engagements entered into by States with regard to nomenclature, the League of Nations should propose such measures of publicity, information, friendly settlement or arbitration as the nature of the engagement make it possible to adopt.”

Those resolutions passed through all stages and became part of the Final Report of the Conference without substantial change, except that, in the fourth meeting of the full Sub-Committee, on the proposal of the United States members in Recommendations (1) and (2), it was decided that the common nomenclature should be drawn up in accordance with “classes of goods” and “groups of commodities” respectively, instead of, as in the original draft, “branches of production”.

A further amendment of the United States members, at the same meeting, proposing to add a recommendation to the effect that the first task should be the determination of a general outline of classification, the establishing of a limited number of comprehensive groups, and the tentative assignment thereto of particular commodities, was, after its proposal by Mr. Norman DAVIS (U.S.A.) and exposition by Mr. CHALMERS (U.S.A.), opposed by Sir Campbell RHODES (India) and was withdrawn.

7. STABILITY OF CUSTOMS TARIFFS.

At the first three meetings of the full Sub-Committee, some discussion took place on the texts of M. Serruys and the INTERNATIONAL CHAMBER OF COMMERCE (see below and Annex A, page 83).

Professor Cassel (Sweden) accepted M. Serruys' proposals.

Mr. Norman Davis (U.S.A.) agreed with M. Serruys' proposals. He said that the United States members “believe that stability in Customs tariffs will be of the greatest advantage to trade”. He submitted suggestions on behalf of the United States members the text of which is summarised below.

Mr. Layton (British Empire), speaking on M. Serruys' proposal (Item (1)) that tariffs should not be altered except after announcing the changes in advance, said the budgetary systems of Great Britain and the Dominions did not permit of notice being given before the immediate application of the duties, those duties being, in the main, fiscal and not protective.

* * *

The Drafting Committee had before it at its first meeting the texts of :

M. BRUNET (expert invited by the President of the Conference) (document C.E.C.P. 71 (1)), stability of Customs Tariffs ; the INTERNATIONAL CHAMBER OF COMMERCE (Item 6 of Annex A, page 83), condemning sudden changes and sudden increases ;

M. SERRUYS (France), as follows :

“Whereas one of the most formidable obstacles in the way of establishing permanent and secure economic relations between nations is the instability of tariffs ;

“Whereas this instability is not only a cause of serious difficulties and disputes in carrying out commercial contracts but also an obstacle to their conclusion and to the activities of the

representatives of the production or trade of one country established in the territory of another country ;

“ Whereas if the necessities of economic reconstruction or the fluctuations of their currency have led certain States to modify their tariffs at short intervals, these States must surely recognise that such changes are really incompatible with the security of trade, on which the maintenance of their trade balance depends, and with the stabilisation of their currency, in which the equilibrium of their trade balance is an essential factor ;

“ Whereas even in cases in which monetary instability modifies the incidence of Customs duties — that is to say, the relation of the fixed duty to the value of the goods expressed in national currency — that incidence may be automatically regulated by the levying of duties on a gold basis or the periodical adjustment of Customs duties to an official index-figure of prices ;

“ And whereas it would be highly desirable that explicit guarantees ensuring the stability of tariffs should be embodied in treaties of commerce, the equitable application of which is constantly menaced by unilateral tariff modifications made by one of the contracting parties ;

“ The International Economic Conference expresses the hope :

“ 1. That States will make it a rule only to introduce tariff changes at long intervals, after announcing such changes sufficiently in advance to avoid any sudden rupture of relations after some unexpected change or the speculative acceleration of purchases in view of changes expected shortly to occur in the Customs tariff ;

“ 2. That States should, by means of long-term conventions, furnish each other in regard to this matter with effective guarantees based either on the consolidation of the rate of the duties or, if the economic or monetary position of a contracting country is not sufficiently stable to allow of such consolidation, on the properly guaranteed maintenance of the incidence of the tariffs ;

“ 3. That, if States do not think it possible to contemplate engagements of this nature in regard to certain branches of their industries, they should define in their internal legislation the manner and the conditions in which any future changes in their tariffs would be effected, so as to guard established traders against the possibility of unexpected and arbitrary action. ”

Mr. Norman DAVIS (U.S.A.), Item (5) of Annex C, page 88, suggesting that administrative changes should not be introduced without due notice, say thirty days :

M. DI NOLA (Italy), as follows :

“ Whereas one of the most formidable obstacles to the establishment and development of secure and lasting international trade relations is the instability of tariffs ;

“ And whereas the principal causes of this instability are to be sought, on the one hand, in exchange fluctuations where Customs duties are payable in paper money and, on the other hand, in the fact that Customs autonomy involves the right to change the Customs duties payable even by countries with which commercial conventions have been concluded :

“ The International Economic Conference recommends :

“ (1) That Customs duties should be levied on the basis of the gold standard or of a ratio, to be periodically reviewed, between the Customs duty and an official index number of prices ;

“ (2) That States should as far as possible refrain from making abrupt changes in their Customs tariffs by autonomous action, because such changes involve instability in trade relations and give rise to serious difficulties or disputes in regard to the execution of contracts already concluded ;

“ (3) That, in this connection, States should, by means of conventions, exchange effective guarantees, based either on the consolidation of duties or, where the economic conditions of the currency of a contracting country is not sufficiently stable to allow of such consolidation, on the well-assured maintenance of the existing incidence of tariffs. ”

Mr. Norman Davis (U.S.A.) said the experience of the United States was that most of the evils of frequent or sudden changes were due to administrative and not to legislative action, and his proposal had been confined to this.

M. Gérard (Belgium) drew attention to the question of the rate of duty to be charged on goods *en route* at the time of a change of tariff (see second paragraph of Item 6 of the International Chamber of Commerce proposals, Annex A).

After a short discussion, in which took part, M. Di Nola (Italy), Chairman, M. Serruys (France), M. Dvořáček (Czechoslovakia) and M. de Lavergne (International Chamber of Commerce), the preparation of the draft resolutions was entrusted to the First Drafting Sub-Committee, whose draft, based mainly on the texts of M. Di Nola and M. Serruys, was subsequently amended in the Drafting Committee by the addition of the proposal of M. BRUNET, to the effect that commercial treaties should, as in pre-war days, be for as long a period as possible.

The text adopted by the Drafting Committee was as follows :

“ Whereas one of the most formidable obstacles in the way of establishing and developing permanent and secure trade relations between countries is the instability of tariffs ;

“ And whereas the main causes of this instability are to be sought, on the one hand, in the fluctuations of exchanges when Customs duties are payable in paper currency and, on the other hand, in the fact that Customs autonomy makes it possible for States to modify their Customs duties even as regards States with which they have concluded commercial conventions :

“ The International Economic Conference recommends :

“ (1) That States should refrain from making frequent or sudden changes in their Customs duties, on account of the instability which such changes cause in trade relations and the serious difficulties or disputes which they occasion in connection with the execution of contracts already concluded ;

“ (2) That, in cases in which currency stability has not yet been fully secure, Customs duties should be levied on a gold basis, or their incidence should be periodically adjusted on the basis of an official index of prices, the adjustment to be made only at periods fixed in advance and only when alterations of incidence represent an appreciable percentage of the duties.

" (3) That in commercial treaties as wide a use as possible should be made of the guarantees of stability afforded by the consolidation of duties, or, in cases in which currency stability is insufficient to allow of the consolidation of the duties themselves, by any other means for adjusting the incidence of duties.

" (4) That States should conclude their commercial treaties for as long a period as possible and should follow, in this regard, the policy practised by a large number of countries before the war."

The text passed through all stages with little discussion and no important changes, and became part of the Final Report of the Conference (see Volume I).

8. APPLICATION OF TARIFFS AND CUSTOMS FORMALITIES.

(Note. — These two subjects were treated together in Sub-Committee 2, under the heading "Application of Tariffs". In the Commerce Co-ordination Committee, the section "Customs Formalities" was created in drafting.)

* * *

At the first three meetings of the full Sub-Committee, some discussion took place on the texts of M. SERRUYS and the INTERNATIONAL CHAMBER OF COMMERCE (see below and Annex A, page 83).

Professor Cassel (Sweden) accepted M. Serruys' proposals and those of the International Chamber of Commerce (its Item 7). He also put forward some proposals which are reproduced below.

Mr. LAYTON's statement to the effect that he could not agree with M. Serruys' Item 4, on the question of penalties for false declarations, and M. Barboza-Carneiro's views thereon have already been mentioned (see pages 48 and 50 above). Barboza-Carneiro's proposals on false declarations and on unfair practices in free ports are reproduced below (page 56).

M. Rygg (Norway) agreed with Professor Cassel's proposals, particularly on the abolition of investigations of production costs (see Item (iii), (page 56)).

Mr. Norman Davis (U.S.A.) said the United States members favoured appropriate means to discourage dumping and fraudulent practices (see Annex C, page 88).

M. Okolski (Poland) put forward a number of proposals on the publication of tariffs and of Customs regulations (see page 56).

M. de Lavergne (International Chamber of Commerce) said a resolution should be adopted asking States to ratify as soon as possible the Geneva Convention on the Simplification of Customs Formalities. He also drew attention to the International Chamber of Commerce recommendations regarding consular fees, which were sometimes excessive to such an extent as to become *ad valorem* duties, and fees for consular counter-signature to certificates of origin (Item 10 of Annex A, page 83).

* * *

At the second meeting of the Drafting Committee a communication from the PERSIAN MEMBERS was read, intimating that :

(a) They agreed with M. Serruys' proposals regarding fraudulent practices (M. Serruys' Item (4) ; and

(b) On the question of specific-rate duties they agreed with the principle of adjusting specific duties according to *ad valorem* incidence, i.e., to alter administratively the specific rates so as to agree with the *ad valorem* incidence already decided legislatively (see also the section "Stability of Customs Tariffs", Recommendation (2), of the Final Report).

M. Brunet, speaking on the second point, (b) said this opinion agreed with his (see M. Brunet's study on "Stabilisation of Customs Tariffs", document C.E.C.P. 71 (1), particularly pages 10-11).

Mr. Norman Davis (U.S.A.) said he would agree to the principle that the administrative authorities should not change specific rates without taking into consideration their *ad valorem* incidence.

The Drafting Committee had before it at its third meeting, when it first discussed the proposals on these subjects, the texts of :

The INTERNATIONAL CHAMBER OF COMMERCE (Items 4, 7 and 10 of Annex A., page 83).

M. SERRUYS (France), as follows :

"Whereas each State must be left free to choose between the *ad valorem* tariff and the specific tariff according to circumstances ;

"Whereas, in the case of *ad valorem* tariffs, the principle of which is outwardly the most equitable, disputes often arise concerning the true value or current level of prices in the country of origin or the valuation of similar products in the importing country ;

"Whereas, in the application of specific duties of which the nomenclature is necessarily incomplete, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article :

"And whereas, though importers may be entitled to the equitable application of tariffs, Governments are also entitled, both for the purpose of safeguarding their national economy and their revenue and for the purpose of assuring fair conditions of international competition, to protect themselves against false declarations regarding the value, nature or origin of the imported products :

"The International Economic Conference recommends :

"(1) That, for the application of *ad valorem* duties, the Economic Committee of the League of Nations should begin to consider what would be the most appropriate methods — both in the case of duties levied on the value in the country of origin and in the case of duties levied on the basis of the value of similar products in the country of destination — to avoid inquisitorial procedure or arbitrary methods of appraisal, either of which are intolerable for international trade ;

"(2) That, for the application of specific duties, States should make provision, in case of dispute, for equitable procedure — appeal to administrative or ordinary courts in which the importer can claim or defend his rights by producing proof or demanding such expert examination as may be necessary ;

"(3) That States should, by definite stipulations in commercial conventions, endeavour to limit the difficulty of applying duties, so that trade may acquire that security without which it can neither develop nor even be maintained.

"(4) That, either by means of the draft International Convention now being considered by the Economic Committee of the League of

Nations or by some other appropriate method, States should endeavour to institute jointly, in the most efficient and least irksome manner possible from the point of view of trade, guarantees for the correctness of Customs declarations or concerted action with a view to suppressing fraud."

Professor CASSEL (Sweden), advocating:

"Abolition of all measures involving disguised protection, for instance, unnecessary sanitary regulations;

"Abolition of vexatious and arbitrary application of Customs regulations (Geneva Convention for the Simplification of Customs Formalities — General Ratification);

"Abolition of all methods of investigating the cost of production of foreign producers by aid of special agents."

Professor CASSEL, second series of proposals, viz.:

"This Conference considers that the practice of investigating the costs of production of foreign producers by aid of special agents should be discontinued. This practice has no real economic justification and a general application of such methods would obviously create conditions equally intolerable to the private producers as harmful to friendly relations between the various countries."

M. OKOLSKI (Poland), on publication of tariffs, viz.:

"(1) It is desirable that producers' and traders' organisations, and Chambers of Commerce in particular, should be able to purchase the publications of the *Bureau international pour la publication des tarifs douaniers*, Brussels. It is also very important that this office should publish, as early as possible, the changes in tariffs which are continually occurring in various countries.

"(2) The International Economic Conference might also pass a resolution that the States taking part should undertake to publish an official list (in alphabetical order) of all goods specially designated in their Customs tariffs, showing the tariff number under which they are classified.

"(3) If the Brussels International Bureau could then undertake the translation of these lists, international trade would have at its disposal a valuable source of accurate information.

"(4) States should be recommended to proceed with the publication of regulations and circulars regarding the application of their Customs tariffs, and especially the classifications of goods coming under the heading of 'not specified'."

The UNITED STATES MEMBERS, Items 1-3 and 6-8 of Annex C, page 88.

M. BARBOZA-CARNEIRO (Brazil), as follows:

"Whereas the methods of handling certain commodities in free ports and zones often give rise to practices which permit of unfair competition,

"The International Economic Conference recommends:

"(1) That Governments should take such measures as they may think fit to prevent the handling of commodities (particularly foodstuffs and beverages) in free ports and zones in such a

way as to conceal from the consumer either the quality or the true origin of the commodities in question;

"(2) That in due course the Council of the League of Nations should consider the possibility of requesting the Economic Committee of the League of Nations to open an enquiry into the nature of the practices mentioned above and into the way in which such practices may affect the trade of countries producing the commodities referred to."

M. BARBOZA-CARNEIRO, other text:

"The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations and invoices, and without desiring to anticipate the results of its investigations, desires to make it clear that it is opposed to any dishonest practices in international trade."

A short discussion took place on the question of methods of investigation of costs and prices abroad (M. Serruys' Item 1, and Professor Cassel's text).

M. Serruys (France) said the main objection was not to investigations on the domestic selling price in the exporting country but investigations on the cost of production.

Mr. Norman Davis (U.S.A.) pointed out that this was a difficult question of Customs technique. It might be referred to a Conference dealing with revision of the Convention for the Simplification of Customs Formalities.

Sir Hubert Llewellyn Smith agreed.

At the fifth (and last) meeting of the Drafting Committee, the preparation of draft resolutions was entrusted to Drafting Sub-Committee 2, with a direction from the Chairman of the Sub-Committee (M. COLIJN) that, owing to lack of time, the draft resolutions would be submitted to the full Sub-Committee direct, and individually, as soon as prepared, to the members of the Drafting Committee.

* * *

At the fifth (and last) meeting of the second Drafting Sub-Committee, the text of M. Gérard, in the first paragraph of the preamble to the Section "Application of Tariffs" (see Volume I, Final Report), was substituted for that of M. Serruys, the effect being that the Conference explicitly stated that it did "not desire to express an opinion as to the respective advantages and drawbacks of *ad valorem* and specific duties."

The remainder of the preamble is part of the original text of M. Serruys, with the omission, from the second paragraph, of his original clause, which was to the effect that "the principle of *ad valorem* tariffs is outwardly the most equitable."

Recommendation (1), regarding elimination of inquisitional procedure in investigations connected with the application of *ad valorem* duties or modification of tariffs, was arrived at, after considerable discussion, by the collaboration of Mr. Norman Davis and M. Serruys, based on the texts of M. Serruys (his Item 1) and the International Chamber of Commerce (its Item 4(b)), with an extension so as to cover "modification of tariffs" as well as "application of *ad valorem* duties".

On this subject, Mr. Norman Davis (U.S.A.) gave a short explanation of the United States system, and asked whether this resolution was aimed solely at the United States or was there any other country that carried on investigations abroad.

Recommendations (2), provision for appeal, and (3), definite stipulations in treaties, endeavouring to limit difficulties, are those of M. Serruys' original text, except that No. (2), as adopted, applies to all duties, not simply to specific-rate duties.

M. Serruys' original Recommendation (4), regarding guarantees for correctness of Customs declarations, was replaced, on his proposal, by another, which now appears as Recommendation (4) of the section "Customs Formalities" in the Final Report (see Volume I).

Recommendations (1) and (2) of the section "Customs Formalities" (consular fees and appeal against penalties, particularly manifest clerical errors) were adopted, with modifications, on the basis of the United States Items (7) and (8).

Recommendation (3), ratification of the Geneva Convention on the Simplification of Customs Formalities, was agreed to without discussion.

The following proposal was submitted by Dr. Trendelenburg (Germany):

"The International Economic Conference recommends that in international transactions national importers and foreign exporters be required to use only current descriptions on their Customs declarations and should not be obliged to make exact mention of the corresponding numbers of the tariff schedule". (Pamphlet No. 45 of the International Chamber of Commerce: Final Report of the Trade Barriers Committee submitted to the Economic Conference of the League of Nations, page 34, No. 7, paragraph 2.)

After a short discussion, in which Dr. Trendelenburg (Germany), Sir Hubert Llewellyn Smith (member of the Economic Committee of the League of Nations) and Mr. Norman Davis (U.S.A.) took part, Dr. Trendelenburg withdrew his proposal, on the understanding that a resolution, to the effect that the provisions of the Geneva Convention on the Simplification of Customs Formalities should be carried out liberally, would be inserted by the Commerce Co-ordination Committee.

This was done, in that Committee, on the proposal of M. BRUNET, by the addition of Recommendation 3 (b) in the section "Customs Formalities" of the Final Report, viz.: "that the provisions (of the Customs Formalities Convention) should be applied by the contracting States as generously as possible".

Consequently, the text adopted by the Drafting Sub-Committee was as follows:

"Whereas the International Economic Conference does not desire to express an opinion as to the respective advantages and drawbacks of *ad valorem* and specific duties, and whereas it is nevertheless desirable that endeavours should be made to secure their equitable application in all cases;

"Whereas, in the case of *ad valorem* tariffs, disputes often arise concerning the true value or current level of prices in the country of origin, or the valuation of similar products in the importing country;

"Whereas, in the application of specific duties, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article:

"The International Economic Conference recommends:

"(1) That any system of enquiries or investigations in connection with the application of *ad valorem* duties or modification of tariffs shall be framed and administered with full

regard for the business interests involved and for the maintenance of commercial good will among nations. Enquiries or inspections involving inquisitional procedure or arbitrary methods shall be eliminated;

"(2) That, for the application of Customs duties, States should make provision, in case of dispute, for equitable procedure by appeal to administrative or ordinary courts in which the importer can be heard or defend his interests by producing evidence or demanding such expert examination as may be necessary;

"(3) That States should, by definite stipulations in commercial treaties, endeavour to limit the difficulty of applying duties, so that trade may acquire that security without which it can neither develop nor even be maintained.

* * *

"Although already included in the Convention for the Simplification of Customs Formalities, the Conference considers it desirable to draw attention to the following recommendations:

"Consular fees should be a charge, fixed in amount and not exceeding the cost of issue, rather than an additional source of revenue. Arbitrary or variable consular fees cause not only an increase of charges, which is at times unexpected, but also an unwarrantable uncertainty in trade.

"Failing any general agreement, it would be desirable that States should, in this matter, embody mutual guarantees in their commercial treaties.

"The Conference, calling attention to the recommendations contained in the Annex to Article 14 of the Convention for the Simplification of Customs Formalities, recommends that an express guarantee should be added providing for a right of appeal, which could be exercised either by the importer or by the exporter, against Customs penalties, and more especially against such penalties as might be unwarrantably imposed in case of manifest clerical errors.

* * *

"The Conference recommends that the foregoing Convention for the Simplification of Customs Formalities, of November 3rd, 1923, be ratified by those States which have not yet done so and that its provisions should be given liberal application.

* * *

"The following recommendation might be embodied in the Final Act of the Conference:

"The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations, and without desiring to anticipate the results of its investigations, desires to make it clear that it is opposed to any dishonest practices in international trade."

The text passed through all stages with little discussion and no substantial change, and became embodied in the Final Report of the Conference (see Volume I).

In the proposals of M. OKOLSKI (Poland) (under Item (1), page 56), the advantage of facilitating access to the publication of the Brussels International Bureau for the Publication of Customs Tariffs, the *Bulletin International des Douanes*, was advocated.

A similar proposal was made by M. Brunet (President of the International Bureau for the Publication of Customs Tariffs, expert invited by the President of the Conference), viz. :

“ The International Economic Conference :

“ Whereas it is desirable that the persons concerned in the different countries should be able to obtain the text of the Customs tariffs of all countries in the world ;

“ And whereas, in virtue of the Convention of July 5th, 1890, which established the International Bureau for the Publication of Customs Tariffs, the contracting States, numbering at present fifty-two, are responsible for the circulation in their territory of copies of the *International Customs Bulletin*, supplied to them by the Brussels Bureau in return for their share of the subscription :

“ Recommends :

“ That the States making up the International Union for the Publication of Customs Tariffs should take appropriate measures in order that their nationals may be able without difficulty to obtain the numbers of the *International Customs Bulletin* in such of the five languages in which it is published as are best suited to the commercial requirements of each country.”

The question was referred to the Co-ordination Committee, which adopted no specific resolution thereon. However, under the section “Customs Formalities” in the Final Report (Recommendation (3)), attention is drawn to the International Convention relating to the Simplification of Customs Formalities ; that Convention, particularly by the provisions of Article 6 and the last paragraph of Article 5 — “the contracting States undertake to take the necessary steps to enable traders to procure official information in regard to Customs tariffs . . .” — covers the point.

* * *

9. TRADE STATISTICS.

At the first three meetings of the full Sub-Committee there was little discussion on this subject.

M. Okolski (Poland) put forward certain proposals (reproduced below) advocating the harmonising of classification for Customs tariffs, trade statistics, and railway transport statistics.

M. Gérard (Belgium) (see above, page 47), said the Brussels 1913 trade statistical classification, if extended and universally adopted, would be useful in treaty negotiations, e.g., in smoothing out the discrepancies, everywhere met with at present, between the export figures of one country and the corresponding import figures of another, not only in values but also in quantities (weight, etc.).

M. de Lavergne (International Chamber of Commerce) advocated the ratification as soon as possible of the Brussels 1913 Convention (see proposals of M. Brunet and the International Chamber of Commerce, summarised below). It was a matter of the greatest importance to merchants that they should have comparable trade statistics.

* * *

The Drafting Committee had before it, at its fifth (and last) meeting, when it first discussed the proposals on this subject, the texts of :

M. BRUNET (President of the International Bureau for the Publication of Customs Tariffs, expert invited by the President of the Conference) : (see preamble (first paragraph) and recommendations of Section 6 of Final Report, recommending, with reference to the Brussels Convention of December 31st, 1913, establishing the International Bureau for Trade Statistics :

(1) Accession to and ratification of that Convention ; (2) that the contracting parties furnish the required statistical data as soon as possible.

The INTERNATIONAL CHAMBER OF COMMERCE Items 1 and 2 (b) of Annex A., page 83.

M. OKOLSKI (Poland), as follows :

“ (5) Steps should be taken to adopt the resolution passed by the International Chamber of Commerce (page 33 of the Final Report by the Trade Barriers Committee) which recommends that statistical nomenclature should be made to agree with tariff classification.

“ (6) It would be advisable to enquire into the possibility of making the nomenclature of Customs statistics agree with the nomenclature of statistics of rail transport.”

The above proposals of M. Brunet were adopted, together with an additional paragraph (the second) to the preamble, conceived somewhat on the lines of the International Chamber of Commerce Recommendation No. 2 (b), the whole constituting the draft resolutions as submitted by the Drafting Committee and reading as follows :

“ The International Economic Conference,

“ Appreciating the desirability of making statistics comparable by adopting a common nomenclature ;

“ Observing the progress made in this direction under the influence of the Convention dated December 31st, 1913, which set up in Brussels an International Bureau for Trade Statistics ;

“ Considering that international co-operation on the basis of the provisions of the said Convention will constitute an excellent preparation for the realisation of the international agreement recommended by the Conference for the adoption of a common customs nomenclature, which, moreover, should have, when adopted, a beneficial effect on the unification of trade statistics :

“ Recommends :

“ (1) That the States which have signed the Convention dated December 31st, 1913, and have not yet ratified it should do so as soon as possible, and that the Governments which have not signed it should accede to it ;

“ (2) That the contracting parties should furnish the Bureau in Brussels as soon as possible with the data required for the compilation of the comparative statistics with the publication of which it has been entrusted under the said Convention.”

These resolutions passed through all stages, with little discussion and no substantial change, and were embodied in the Final Report of the Conference (see Volume I).

* * *

A proposal was made by M. Serruys (France) in the Drafting Committee to add a third recommendation, to the effect that the Brussels Trade

Statistics Bureau should adopt; as and when adopted by the Governments, the successive sections of the common tariff nomenclature (see recommendation (4) and (5) of the Section "Unification of Tariff Nomenclature" in the Final Report, Vol. I). The proposal was withdrawn, it having been pointed out by M. Di Nola (Italy), Chairman, that its acceptance might have the effect of preventing States from ratifying the Brussels Trade Statistics Convention until the common tariff nomenclature had been adopted.

10. TARIFF LEVELS.

As already indicated above, considerable discussion on this question took place at the first three meetings of the full Sub-Committee.

The views expressed at those three meetings, and the concrete proposals put forward before, during and after them (up to the time of the first meeting of the Drafting Committee) were those of the following members :

Proposal of the INTERNATIONAL CHAMBER OF COMMERCE ;

Speeches and proposals of M. CASSEL (Sweden), Mr. LAYTON (British Empire), M. RIEDL (Austria), M. SCHÜLLER (Austria) and M. SERRUYS (France) ;

Speech of M. UYEDA (Japan) and proposals of the JAPANESE MEMBERS ;

Speech of Mr. Norman DAVIS (U.S.A.) and statement of the UNITED STATES MEMBERS (in connection with equality of treatment) ;

Speeches of M. ANSIAUX (Belgium), M. DVOŘÁČEK (Czechoslovakia) and M. DE LAVERGNE (International Chamber of Commerce).

Their speeches are summarised above, under the subject heading "4. General", page 50 ; their proposals are summarised below, page 61.

Practically all speakers were agreed in condemning the present high tariffs and advocating their reduction as soon as possible. It was generally recognised that they constituted one of the most serious barriers to international trade.

The opinions expressed at the first three meetings, either in the speeches or in the texts of the ten documents summarised below (page 61), may be recapitulated briefly under the headings of "Causes" and "Remedies", as follows :

Causes.

Regarding the causes of the increase in tariffs since the war, particularly in Europe, the principal causes put forward as being harmful in varying degrees to the development of international trade were :

1. The desire of States for *self-sufficiency* or economic independence. This was mentioned by several members, including M. Schüller and Mr. Layton and M. Serruys, who considered that only very few States could hope to attain it. M. Uyeda said it was neither desirable nor practicable.

2. The necessity of meeting abnormal *post-war conditions*, e.g., currency instability, which, Mr. Layton and M. Schüller pointed out, though now to a great extent remedied, had not been followed by a reduction of tariffs.

3. The stimulation of *artificial industries*, or those which had abnormally expanded through war-time necessity — points mentioned by Mr. LAYTON, M. SERRUYS and Professor CASSEL.

4. The fundamental *error* of the belief that it is more *profitable to decrease imports* than to increase exports — M. Schüller's point (1).

5. The practice of increasing *tariffs for negotiation purposes*. This was mentioned by Professor Cassel, M. Riedl and Mr. Layton, who pointed out that such increases had often become permanent.

6. The necessity for *revenue*. This was referred to by several speakers including M. Avsenek (Kingdom of the Serbs, Croats and Slovenes), M. Bourilkoff (Bulgaria), M. Schüller (Austria), Mr. Layton (British Empire) and M. Loucheur (France). Mr. Layton pointed out that high tariffs did not necessarily give a high yield in revenue, while many low-tariff and free-trade countries collected a comparatively high revenue. Sir Campbell Rhodes (India) and Sir David Gordon (Australia) referred to the necessity in their countries of getting Customs revenue. M. Loucheur (France) and the American members pointed out that protectionism was not determined by the relative height of tariffs ; a high duty — for revenue purposes — might not have any protective effect.

7. *National Defence*. This argument for increasing tariffs was considered by Mr. Layton to be of diminishing importance as security is re-established in Europe. The argument was used at times and was stretched to absurd lengths. It was really only of limited application and was valid : (a) in short wars, as to stocks ; (b) in long wars, as to industrial equipment.

8. The increase in number of *Customs units* in Europe from twenty to twenty-seven involving the erection of 11,000 kilometres of additional frontier. This was mentioned by Mr. Layton.

Remedies.

As to Remedies for tariff evils, the following were proposed :

1. *Immediate reduction*, starting with the duties that had been imposed to meet temporary dislocation due to the war, e.g., currency and financial instability. This action was advocated by M. Schüller and Mr. Layton. Professor Cassel proposed reduction to at least pre-war level.

2. *Limitation of protection to counterbalancing* more favourable conditions of production or a more advantageous regime of prices in the principal competing country — M. Serruys' Item (1).

This was opposed by Professor Cassel and Mr. Layton as a protectionist doctrine. Professor Cassel considered it was futile to aim at equalising costs of production at home and abroad. He thought, however, that a general recommendation of Free Trade by the Conference would, under present circumstances, have no prospect of leading to any practical result ; if protection was thought necessary, it should be limited to industries comparatively easy to keep up.

Mr. Layton (British Empire) said that M. Serruys' Item (1) was impracticable owing to the difficulty of arriving at the true cost of production abroad, and was undesirable because it struck at the foundations of foreign trade, viz. differences in cost of production.

M. Ansiaux (Belgium) preferred the text of the International Chamber of Commerce to M. Serruys' Item (1), but he thought something more than the resolution of the Chamber was required.

M. Dvořák (Czechoslovakia) agreed with Mr. Layton on the impracticability of an exact compensatory duty, and thought the Conference should make some statement on its dangers both to international trade and to the country itself.

M. Serruys (France) said he preferred his proposed method to that of successive annual reductions in rates, or to that of maximum rates (which latter, he said, though feasible for raw materials and semi-manufactured goods, was not so for manufactured products), or to those of the International Chamber of Commerce which, he said, though good in principle, required the addition of something stronger and more definite. With this last statement, Mr. Layton (British Empire) agreed. M. Serruys (France) said that the principle of a compensatory duty was the bare minimum that an industry could bear. It was already a great advance on super-protectionism and would, if adopted, constitute a big step towards the lowering of barriers.

M. de Lavergne (International Chamber of Commerce) said the Chamber had opposed the method of compensatory protection because, although perhaps ideal, it would lead to different interpretations in the various countries. The Chamber had thought it better to confine action to excessive tariffs.

3. *Reduction, in concert, of protective tariffs to equitable and moderate rates*, which would encourage extension of trade and secure fair remuneration to the producer and increased purchasing power to the consumer. That was proposed by M. Serruys (France) who, having withdrawn his Item (1), replaced it by his Item (5).

4. *Maximum rates of duty*. This formed part of the scheme of the Austrian Committee of the International Chamber of Commerce — M. Riedl (see page 49). It was also advocated by Professor Cassel in his first series of proposals (see below, page 61), but not in his second series. Mr. Layton said Great Britain would support a scheme in the direction of establishing maximum rates (cf. his speech, page 48, and his proposals, below, III, Objectives, (b) (i)). M. Serruys opposed this remedy because of its impracticability, particularly in the case of manufactured goods. M. de Lavergne said the International Chamber of Commerce had discarded it as being impracticable.

5. *Gradual and progressive reductions*. This was advocated by M. Riedl and the Japanese members (who proposed an order of urgency: luxuries, manufactures, etc., down to raw materials). The idea of gradual reduction would, said Mr. Layton, be welcomed by Great Britain; later, he submitted proposals for progressive and general reductions (see Annex D, page 91, his Objectives (b) (ii) and his Recommendation (3)).

6. *Abolition of the practice of increasing tariffs for bargaining purposes*. The abolition of this practice and of *tarifs de combat* and the removal of the various other causes treated in the preceding paragraph, on "Causes", were advocated by the members whose names are there shown against the respective causes;

7. *Reduction of protection, to various limits (other than those mentioned above) e.g.:*

(a) To the safeguarding of wage scales and standards of living — points of the INTERNATIONAL CHAMBER OF COMMERCE (American Committee) and M. Bourilkoff (Bulgaria);

(b) To embrace only *industries naturally suited* to a country, and not attempt to bolster up those unsuitable — points of M. Cassel, Mr. Layton and M. Serruys;

(c) To the exclusion of *tariff dumping* — points of M. Serruys and M. Schüller, both of whom described this practice as one of the most dangerous causes of economic strife. Mr. Layton shared these views. This matter was later — in the first meeting of the Drafting Committee — referred to Sub-Committee No. 3 of the Commerce Committee, which dealt with dumping.

8. *Bilateral and concerted action*. It was pointed out by several members that, in addition to remedies that could be applied by individual action on the part of States, it was very important that bilateral and/or concerted action should be undertaken. The process of tariff reduction would then be more rapid. In this connection, unconditional most-favoured-nation treatment, in its most liberal aspect, was proposed. M. Serruys pointed out that, because the most-favoured-nation clause, *per se*, did not reduce tariffs, it must be accompanied by something that would result in a real decrease of duties (Annex F). Mr. Norman Davis and the MEMBERS submitted proposals advocating equality of treatment, with definitions of what this meant (Annex C).

The questions of most-favoured-nation treatment and equality of treatment were more fully discussed in connection with the subject of "Commercial Treaties" (*vide infra*, subject heading No. 13).

As a further step in the removal of tariff evils, and to supplement individual and other action it was proposed by M. Serruys and Mr. Layton that the Economic Organisation of the League should undertake enquiries in order to ascertain what common action could be taken (see Recommendation (4) in the Final Report, Volume I).

9. Various means of improving the tariff situation, accessory to, but not directly bearing on, changes in tariff rates, were proposed, including:

(a) A complete change in existing opinion and outlook on international trade (points stressed by M. Schüller and Mr. Layton and the INTERNATIONAL CHAMBER OF COMMERCE);

(b) Realisation by the peoples of their community of interests (INTERNATIONAL CHAMBER OF COMMERCE), removal of mental and moral barriers (Mlle. van Dorp and the INTERNATIONAL CHAMBER OF COMMERCE (Sir Alan Anderson), pages 13 and 14 of C.E.I. 5 (1)), and international co-operation in commercial matters (INTERNATIONAL CHAMBER OF COMMERCE and M. Schüller);

(c) Taking into account international division of labour (Professor Cassel and the INTERNATIONAL CHAMBER OF COMMERCE);

(d) Recognition of the interdependence of Customs protection (M. Serruys, M. Schüller and Mr. Layton);

(e) Publicity: (i) of *ad valorem* incidence of specific rates (Japanese members); (ii) of negotiations (M. Riedl and M. Ansiaux);

(f) *Long-term treaties*. — Mr. Layton, and M. Serruys (Annex F).

* * *

Summary of Documentary Proposals.

The Drafting Committee had before it at its first meeting the following texts:

1. Text of the INTERNATIONAL CHAMBER OF COMMERCE Part A, "Trade Facilities", and the opening paragraphs of Part B, "Customs Technique" (Annex A, page 83).

2. Text of M. SERRUYS (France) :

"Whereas Customs barriers have been continuously raised since the war and the economic stagnation of Europe is in part attributable to this cause ;

"Whereas, though every State should retain as one of the indefeasible privileges of its sovereignty the right to adjust its tariffs to suit the requirements of its economic life or its finances, it is none the less certain that there is a close dependence between the degree of Customs protection which the various competing countries resort to and this interdependence affects their economic policy ;

"Whereas unnecessarily high Customs protection has in many countries created or maintained industries which are not viable, thus imposing an intolerable burden on the consumer or interrupting the normal currents of supply or leading to European over-production ;

"Whereas the effect of excessive Customs duties, even when designed to protect healthy industries, is in many cases to spoil the market by allowing the accumulation on the national market of reserve profits which can be used for purposes of artificial competition on foreign markets ; and

"Whereas such action is one of the most dangerous causes of economic or political strife between nations :

"The International Economic Conference recommends :

(1) That States, subject only to the requirements of their national security or the vital interests of their economic life, should as far as possible give their industry protection limited to counterbalancing more favourable conditions of production or a more advantageous regime of prices in the principal competing country : [*Subsequently, M. Serruys withdrew No. 1 and replaced it by No. 5.*]

"(2) That States, recognising the interdependence between Customs protection in the various competing countries, should refrain from unduly increasing such protection, with a view both to restoring European protection and maintaining a profitable trade ;

"(3) That States should themselves refrain from and, if necessary, by concerted legislative action, prevent tariff dumping, which tends to injure export conditions by means of unduly heavy import duties ;

"(4) That the Council of the League should, with regard to this last point, conduct enquiries with a view to the eventual conclusion of an international agreement for its suppression ;

"(5) That the Council of the League of Nations should instruct the Economic Committee to carry out such investigations and make such enquiries as may be useful both of Governments and of producers, traders and workers, with a view to ascertaining what common action could be taken to reduce protective tariffs to equitable and moderate rates, and thus to encourage the extension of trade and at the same time to secure fair remuneration for the producer and increase the purchasing power of

the consumer. [*Item (5) was added subsequently, cancelling Item (1).*]

3. Text of Professor CASSEL (Sweden), proposing :

Abolition of the practice of increasing tariffs for negotiation purposes.

"Recognition of the positive utility of the division of labour and of the futility of the idea that Customs duties should aim at equalising the costs of production at home and abroad whatever the differences in the cost may be. Recognition of the principle that it cannot be good economy to protect a trade if for that purpose Customs duties above a certain maximum are required. Recognition of the principle that protection should never exceed a certain maximum level."

4. Text of Professor CASSEL (Sweden) (second series of proposals) :

"The International Economic Conference,

"Considering that the general increase of Customs duties which has taken place after the war has been one of the most powerful factors in the present disturbed equilibrium and reduced efficiency of the world's economy ;

"Considering further that the adjustment of the world's economy to the great dislocation which has occurred in fundamental economic conditions would have required, and still requires, the greatest possible freedom of movement for all productive powers and for all commodities ;

"Considering, however, that a general recommendation of free trade would, under present circumstances, have no prospect of leading to any practical results :

"Recommends :

"(a) That it should be recognised that a division of labour is a great positive advantage to all nations ;

"(b) That, if protection is thought necessary, it should be limited to such branches of production as can comparatively easily be kept up, and should never aim at a more general counterbalancing of more favourable conditions in the principal competing countries ;

"(c) That, therefore, no country should try, by unreasonably high Customs duties, to acquire a trade that is so little natural to it that it cannot exist under a moderate protection,

"(d) And, finally, that tariffs generally should be brought down at least to pre-war levels."

5. Text of the JAPANESE MEMBERS (see page 47).

6. Text of M. SCHÜLLER (Austria) (Annex E, page 93).

7. Text of the SECRETARIAT OF THE LEAGUE OF NATIONS: Document O.E.I. 37, "Tariff Level Indices", statistical study prepared by the Economic Section, and observations thereon by certain members of the Preparatory Committee. The Drafting Committee had before it at its first meeting, although the actual texts were not distributed until later, also.

8. Text of Mr. LAYTON (British Empire), (Annex D, page 91) submitted to the Second Drafting Sub-Committee.

9. Text of M. RIEDL (Austria) (see page 49).

10. Text of the UNITED STATES MEMBERS (first paragraph of Item (i) of the considerations on most-favoured-nation treatment in commercial policy, Annex C, page 88).

* * *

The discussion on the subject of tariff levels was continued in the Drafting Committee at its first meeting; then in Drafting Sub-Committee at its first and second meetings and at its third and fourth meetings; then in the Drafting Committee at its fourth and fifth meetings; then, finally, in the full Sub-Committee at its fifth meeting.

* * *

In the Drafting Committee, at its first meeting, Mr. Layton (British Empire) said the Conference should not give the impression that tariffs could not be reduced until the Economic Committee or any other body had examined the question. There should be two resolutions: (a) The nations ought to reduce their tariffs; then (b) the method of reduction — something on the lines of the International Chamber of Commerce resolution (Annex A): “. . . Governments should be induced to consider the reduction of Customs dues by means of an extended system of mutual agreements”, but adding at the end the words “or otherwise”.

Mlle. van Dorp said she was very pleased to note that Professor Cassel and M. Serruys had approached much closer to each other in their views — Professor Cassel by his second series of proposals (“ . . . protection limited to healthy industries . . .”) and his abandonment of maximum duties, and M. Serruys by his amended proposal (“ . . . protection reduced to equitable and moderate rates . . .”) and his abandonment of compensatory duties. She supported the above suggestion of Mr. Layton. Free trade was the ideal, although some former free-trade countries were now departing from it. The Conference should make a pronouncement on the question.

M. Gérard (Belgium), Rapporteur, said the Austrian proposals (page 49) could, with modifications, be made to agree with the Japanese proposal (page 61) advocating a certain number of maximum rates. An attempt might be made to establish the difference between revenue duties and protective duties.

M. Stucki (Switzerland) reminded members that they were responsible not to their Governments but to their own sense of duty. Switzerland had for two years past been preparing a new tariff. He was astounded a few days ago in the Swiss Parliament to note the ground gained by protectionism. However, it was not for the Conference to pronounce on free trade or protection but to point out the dangers and the remedies.

Mr. Norman Davis (U.S.A.), Rapporteur, agreed with M. Stucki that the Conference could not solve a problem individual to each country — its attitude towards free trade or protection. The United States members were in favour of the texts of both M. Serruys and the International Chamber of Commerce. The Conference should make a statement of fact; argument was useless.

M. Serruys (France) said that tariff rates — hitherto considered sacred and a private preserve, as touching sovereignty, and so excluded from international conferences and accords — were now, for the first time, on the table. The Conference must reach agreement on this question. There were two points of importance he wanted to emphasise: (a) there should not be too exaggerated protection for industries not viable; (b) each State should,

before and independently of concerted action, begin to act now in lowering its tariffs.

M. Serruys drew attention also to point 4 of the agenda, which, he said, had been rather neglected, “Repercussion upon International Commerce of Reduced Purchasing Power”. This point came into the last part of M. Serruys’ Item 5, which part now appears in the last paragraph of the recommendations on tariff levels in the Final Report.

Finally, in connection with the introduction or preamble to the resolutions, M. Serruys said it was vitally important that the impression should not be given that the Conference relies solely on free trade. If such an impression were given, he would be compelled to withdraw his proposals altogether.

M. Serruys submitted a proposal on the following day, to the Second Drafting Sub-Committee. This proposal, revised, was adopted later, to the effect that the Conference did not attempt to pass judgment on the fundamental principles of free trade and protection.

M. Di Nola (Italy), Chairman, said the great differences in opinion so evident in the full Sub-Committee, seemed now to have been very much smoothed out, and he thought the material might now go forward to a small sub-committee for drafting.

This was done, and the Second Drafting Sub-Committee was appointed and entrusted with framing draft resolutions. But a question of general principle, said the Chairman, had not yet been decided, namely, whether or not a central body was to deal with the recommendations made or conduct an enquiry. Decision on this matter was postponed. Eventually, by Recommendation (4) of the Final Report (see Volume I), the League is asked to institute an enquiry.

* * *

In the first and second meetings of the Second Drafting Sub-Committee, the discussion was continued, taking Mr. Layton’s draft (Annex D) as a working basis and adding to it certain proposals, particularly those of M. Serruys, including such of M. Schüller’s proposals (Annex E) as had, in substance, in the meantime been embodied by Mr. Layton or M. Serruys in their drafts.

In the fourth paragraph of the sub-section “Present Tariff Situation”, Mr. Layton’s text was replaced by that of M. Serruys, now appearing in the Final Report, the main substantial change being the addition of M. Serruys’ clause “. . . all of which [i.e., the Customs units of Europe] strive for an independent national economy which they defend by means of tariff barriers”.

In other respects, the text of Mr. Layton on the sub-section “Present Tariff Situation” was adopted substantially in the form in which it now appears.

In the sub-section “Causes”, on the question of the desire for economic independence or self-sufficiency (Mr. Layton’s cause (b)), M. Serruys (France) said the doctrine of economic independence had resulted in the parcelling up of Europe. The effort made, said M. Serruys, to reserve the home market for home products by means of Customs duties, instead of ensuring an increase in wealth and purchasing power by a greater return for national labour, very often gave a contrary result — a decrease in wealth on account of a falling off in that production — particularly if the country was too small or too poorly endowed by nature to be able to aspire to complete economic self-sufficiency. This claim for self-sufficiency could only be sustained by countries which had the

necessary natural means of racial attributes, or by groups of States which united their resources. The danger of the doctrine of economic independence was the unrealisable pretensions to self-sufficiency in the case of States which cannot hope to realise them.

M. Serruys made a proposal, which was adopted, viz., to add a paragraph on the effects of the excessive increase in productive capacity due to redundant undertakings, resulting in aggravating foreign competition or in attempts to reserve the home market by means of a tariff erected with a view to creating economic independence, without due regard to the fact that very few countries can hope to attain self-sufficiency. (The paragraph in the Final Report regarding waste of capital, high rate of interest, and vested interests, is the draft text of the proposal of Mr. Layton in collaboration with Sir Hubert Llewellyn Smith, as adopted at the first meeting).

A proposal regarding surplus labour, by M. Di Nola (Italy), citing an additional cause of the present tariff situation, was adopted, and now appears, slightly modified, in the Final Report, viz., that industries have grown to their present extent, in some cases "... with a view to providing employment for surplus labour for which certain former outlets are at present closed".

A proposal by M. Dvořáček (Czechoslovakia) was adopted inserting in the first paragraph of the sub-section "Causes" the statement regarding the tariff increases made in countries with a depreciating currency, some of which increases were not correspondingly reduced when revalorisation occurred.

Regarding the argument that Customs tariffs were necessary for revenue purposes, Mr. Layton (British Empire) said it was often argued that the United Kingdom could afford to have a low Customs tariff because she received much revenue from direct taxation. His point was that revenue could be got by means of indirect taxation without resorting to protective Customs duties.

Sir Hubert Llewellyn Smith added that there were certain countries which could get more revenue by reducing their Customs tariffs; these were the really protectionist countries.

On this question — the question of budgetary considerations in relation to tariffs — the text of M. Serruys was adopted.

The last sentence of that paragraph, viz.: "moreover, the smuggling encouraged by excessive duties has a demoralising effect", was adopted later, in the Drafting Committee, on the proposal of Mlle. van Dorp, with textual amendments proposed by M. SERRUYS (France).

Regarding the argument of national defence as a reason for Customs protection, M. Serruys (France) said he strongly attacked Mr. Layton's text (last paragraph of Mr. Layton's "II. Causes", Annex D), and cited the case of coal-tar dyes in Great Britain. The Conference might, he said, be talking for months on this question.

The text on this question, as it now appears in the sub-section "Causes" in the Final Report, is that of M. Serruys as proposed in the Second Drafting Sub-Committee, except for: (a) the insertion therein of the phrase "whatever the merits [of the argument] may be in principle", inserted in that Sub-Committee on the proposal of Mr. Layton at a later meeting; and (b) the change to "a reason which has frequently been invoked" from M. Serruy's original "the most substantial reason which has been invoked..." An additional clause, added in that Sub-Committee, was subsequently deleted in the Drafting Committee,

Mr. Layton having agreed to withdraw it. The clause was: "the problem of the resources required for war purposes has been fully examined by the Joint Commission of the Disarmament Commission".

In other respects, the text of Mr. Layton (Annex D) on the sub-section "Causes" was adopted, substantially in the form in which it now appears.

In the sub-section "Discussion of Commercial Policy", the proposals of M. Schüller (points (1), (5) and (4) of Annex E), as recast and slightly modified by Mr. Layton, were adopted, viz., the principles that:

(1) It is an error to believe that hindering imports is more profitable than increasing exports;

(5) Export bounties resulting from excessive import duties disorganise foreign markets and cause friction;

(4) Customs tariffs are no remedy for currency disorganisation.

To this last point (i.e., M. Schüller's point (4)) was added a statement, proposed by M. Serruys (France) to the effect that the experience of most nations in this connection was that budget equilibrium or restoration of monetary stability was not attained by means of tariffs.

At a later stage, in the Drafting Committee, Mlle. van Dorp proposed to shorten the paragraph — i.e., the point (4) plus the addition — and place it in the first paragraph of "Causes", contiguous to the other matter on currencies. Eventually, at the third meeting of the plenary Commerce Committee, the paragraph was deleted, on the proposal of M. Gliwic (Poland).

M. Schüller's third point of Annex E — transfer of credits being effected only in the form of goods, it is irrational to increase duties — was accepted, with modifications. It is dealt with later, in the record of the Drafting Committee's fourth meeting (see below, page 67).

Mr. Layton's texts, to the effect:

(1) That the Conference recognised that the removal of the barriers could not be brought about suddenly, but that Governments should immediately prepare plans for removing these obstructions by stages, starting with the duties imposed to counteract the effect of disturbances now past;

(2) That, if the true result of the present system were understood, the Governments could begin forthwith; and

(3) That the process will be hastened if taken as a result of concerted action;

Were agreed to by M. Serruys (France) and Mr. Norman Davis (U.S.A.) and adopted, with modifications, and now appear substantially in the sub-section "Discussion of Commercial Policy".

On the question of the meaning of "concerted action" and the method of undertaking it, there was some discussion, Mr. Norman Davis (U.S.A.) remarking that "concerted action" might be misconstrued. The text of Mr. Layton on the method was, in substance, approved tentatively, viz.: (a) negotiation of commercial treaties; and (b) study by the Economic Organisation of the League of Nations of further measures for a more general reduction (but omitting, in the schemes to be studied, Mr. Layton's enumeration — i.e. his specific reference to "... the various schemes... such as..." those of maximum rates and progressive reductions at fixed intervals

— and substituting therefor, in substance, a proposal by M. Serruys, more general in form, viz., to study “. . . . the various schemes submitted to the Conference and take into consideration all matters relevant to the study”). This tentatively approved text was, at the later meetings of the Second Drafting Sub-Committee, further discussed and amended and finally omitted. There was substituted for it at a later stage — namely, in the Commerce Co-ordination Committee — substantially the present penultimate paragraph of the sub-section “Discussion of Commercial Policy”, to the effect that the Conference made provision in its resolutions not only for the encouragement of bilateral agreements but also for the examination by the Economic Organisation of the League of common measures that might be adopted by States Members and non-Members, and of their mutual agreements.

In other respects, the text of Mr. Layton (Annex D) on the sub-section “Discussion of Commercial Policy” was adopted, substantially in the form in which it now appears.

The text of Mr. Layton’s “Alternative Draft Recommendation” was taken as the basis of discussion of what now appears as the sub-section “Conclusion” in the Final Report. The preamble of that sub-section is substantially that of Mr. Layton’s draft as adopted at the second meeting, with textual amendments — then and later — particularly on the wording of the last clause: “The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction”, the discussion on which concerned rather the form than the substance.

Recommendation (1) of Mr. Layton’s original draft, viz., “States should take steps forthwith to reduce the level of their tariffs, commencing with those rates of duty which were designed to meet temporary dislocations arising out of the war”, was adopted at the second meeting, but in a form limiting the scope to post-war duties thus: “Nations should take steps forthwith to reduce those rates of duty which were designed war”.

In the discussion, Mr. Norman Davis (U.S.A.) said that the original form of Mr. Layton’s text was perhaps rather strong. It would frighten the protectionists of the United States.

M. Serruys (France) said the recommendation might be framed to the effect that all duties arising out of the war in Europe should be immediately adjusted and that the Economic Committee should conduct an enquiry with a view to removing the remaining obstacles and making further reductions.

At the third meeting of the Second Drafting Sub-Committee, the text was modified, and was strengthened in the direction of reinstating its original scope — that the action was to *begin* with the post-war barriers, thus: “Nations should take steps forthwith to remove those barriers that unduly hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war”; at that meeting and subsequent meetings, the text of this resolution was made to harmonise more or less with that of the paragraph of the sub-section “Discussion of Commercial Policy” beginning “The Conference recognises”. Subsequently, in the Drafting Committee, the text was changed to its present form, by modifying the action recommended “. . . . to remove or *diminish* those tariff barriers” (Recommendation (1) of the Final Report — see Volume I).

The preamble to Recommendations 2, 3 and 4 of the Final Report was proposed by M. SERRUYS (France) and adopted, viz.: “in order to ensure

that this action [*i.e.*, removal, etc., of barriers] is continuously pursued, the Conference recommends”.

Recommendation (2) of Mr. Layton’s “Alternative Draft Recommendations”, that States should proceed to the conclusion of commercial treaties based on the most-favoured-nation clause, was adopted, but omitting the reference to the most-favoured-nation clause.

At a later meeting in the Second Drafting Sub-Committee, a clause was added — substantially that which now appears in the Final Report — viz. “. . . . on lines and under conditions calculated to ensure the attainment of the aims mentioned herein”.

(For the lines and conditions, see Section 4, “Commercial Treaties”, of the Final Report, Recommendation (1) *et seq.* of which deal with most-favoured-nation treatment as regards Customs duty.)

The text of Recommendation (3) of Mr. Layton’s “Alternative Draft Recommendations” — the League to examine the possibility of common action for further reduction of tariffs that unduly hamper trade — was not adopted. In its place there was tentatively adopted, at the second meeting, M. Serruys’ proposal — point (5), slightly modified — “. . . . the appropriate organ of the League to undertake, on the basis of the principles enunciated by the Conference, and in conjunction, if need be, with great international organisations, an investigation with a view to ascertaining what common action could be taken to reduce protective tariffs to equitable and moderate rates, and thus to encourage the extension of trade, and at the same time to secure fair remuneration for the producer and increase the purchasing power of the consumer”.

This resolution, as subsequently amended, appears now as Recommendation (4) (with its two dependent paragraphs) of the Final Report — (see Volume I). The text was amended at the fourth meeting of the Second Drafting Sub-Committee, as a result of the joint collaboration of M. Serruys, Mr. Norman Davis and Sir Hubert Llewellyn Smith after a short retirement, and was unanimously adopted, to read, in substance, as it now appears, except that the reference to “workers” in the last paragraph — “. . . . while at the same time paying due regard to the just interests of producers and workers in obtaining a fair remuneration” — was added at a later stage, namely, in the Drafting Committee.

In the third and fourth meetings of the Second Drafting Sub-Committee, the discussion was continued, taking as basis the draft resolutions prepared in the meantime from such of the texts of Mr. Layton, M. Serruys and others as had been accepted at the first and second meetings, viz.:

“1. Present Tariff Situation.

“The evidence before the Conference, which is contained in the documentation or in the statements made by the delegates, shows that the recovery from the effects of the war has been unduly delayed and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade.

“The Conference notes with satisfaction that some of the more extreme forms of obstruction that prevailed immediately after the war have been removed. To this fact must be attributed in part the recovery of world trade which has so far been achieved.

“Tariffs, on the other hand, which in recent years have shown a tendency to rise, are for the most part higher than before the war, and are at

present one of the chief barriers to trade. The increase in most countries is almost wholly due to higher duties on manufactured articles.

" In Europe, the problem has been complicated by political readjustments which have changed many frontiers and increased the number of separate Customs units from twenty to twenty-seven, all of which strive for an independent national economy which they defend by means of tariff barriers.

" The harmful effect of these tariffs upon trade has in many cases been increased through constant changes, which have created an element of uncertainty and made it impossible to place long contracts. The nations have failed to deal with this situation by long-term treaties.

" 2. Causes.

" This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war. For example, many duties have been raised as a protection against an influx of goods from countries with a depreciating currency. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability. Such attempts create additional problems for commerce and are themselves a source of uncertainty. Or again, in the countries themselves whose currency has been depreciating, tariffs have been raised in order to check imports in the hope of stopping the depreciation. Finally, it has sometimes happened that, where depreciation has been followed by appreciation, the tariff rates which have been raised during the inflation have not been correspondingly reduced when the stabilisation occurred. These unstable currency conditions have to a large extent passed away; but the special tariff and other measures which have been employed to deal with them have not yet wholly disappeared.

" A second reason for the present tariff situation both in Europe and elsewhere is the desire of nations to keep industries in being on a scale which they would not otherwise be able to maintain. These industries have grown to their present extent in some cases as a result of abnormal expansion during the war; in others, as a result of the desire of certain nations to attain an economic independence commensurate with their new political status; and again in others, in the hope of providing employment for surplus labour for which certain former outlets are no longer available.

" This increase in productive capacity has often exceeded not merely the ability of a country to purchase its own products but also its actual needs for them. The result has been either that these redundant undertakings have become bankrupt, particularly when they have been built up by borrowed capital; or that, in order to find an outlet and give some return to the capital employed, they have turned to the foreign market and caused an intensification of international competition.

" The desire to deal with the problem of excessive industrial capacity has usually led to an attempt to reserve the home market for home production by means of insuperable tariff barriers erected with a view to creating an independent national economy which would produce, under the protection of the tariff wall, an increase of invested wealth and a more satisfactory return for the work of the nation. This effort to attain self-sufficiency cannot hope to succeed unless it is justified by the size, natural resources

and economic and financial advantages of a country; there are very few countries in the world which can hope to attain it. The artificial increase of plant which is only partly employed has meant, on the one hand, uneconomical and costly production and, on the other, a wasteful use of the world's reduced capital resources. It has thus been one of the causes which have maintained an abnormally high rate of interest in recent years. It should be added that, so long as unduly high tariffs are maintained, this uneconomic use of capital continues and creates an increasing number of vested interests, which resist a return to a more liberal policy.

" High tariffs have, in many cases, also been imposed, in the first instance at all events, for bargaining purposes. But subsequent negotiations have in practice not resulted in adequate modifications, with the consequence that the tariff barriers have been left higher than before.

" In addition to arguments connected with tariff negotiations, budgetary considerations are frequently brought forward to justify very high tariffs. But a country's budgetary equilibrium rests on a very precarious foundation if it is founded on high rates of duty, the effect of which is to diminish imports and consequently the Customs revenue resulting from them.

" The most substantial reason which has hitherto been invoked in many cases to justify exaggerated post-war tariffs is the need of protecting industries required for national defence. But it cannot be denied that this argument has often been abused to cover exclusively economic objectives. The problem of the resources required for war purposes has been fully examined by the Joint Commission of the Disarmament Commission.

" In enumerating the causes and ideas which are responsible for the super-protectionism of post-war years, the International Economic Conference desires to distinguish them from the reasons which may be brought forward to justify nations in instituting a policy of moderate protection.

" 3. Principles of Economic Policy.

" In contrast to these ideas, which have led nations into a situation which is equally harmful to their own economic life and to their international economic relations, it remains to set out the considerations which demand a return to a general policy of freer international commerce. It is too often overlooked that the attempt to stimulate artificially industries which would not otherwise flourish in a country checks the development of those activities for which it is most naturally suited. Nations may determine, for political or other reasons, that it is essential to their safety to develop increased self-sufficiency, but it is appropriate for the Conference to point out that this generally involves a sacrifice of material prosperity. This loss is borne, so far as the country itself is concerned, by consumers, who have to pay more for the products of the protected industry, and by those engaged in the industries that would otherwise have a larger possibility of export.

" The fundamental error of high protection is to imagine that it is more profitable to hinder imports than to increase exports. The truth is exactly the opposite. If exports increase, production and the national income increase in a similar degree. If, on the other hand, imports fall on account of tariff duties, the rise in the level of commodity prices reduces not only the possibility of export but also the

consuming capacity of the country. A part only of the excluded exports is replaced by home production. High protection which reduces national production and purchasing power in the end defeats its own object. Moreover, the consumer has to pay the duty which is imposed upon the commodity. There can be no doubt that nations have greater interest in increasing their exports than in reducing their imports.

"Premiums upon exports which result from excessive Customs duties frequently have the effect of disorganising the market by permitting very high profits to be realised at home, which are used to create artificial competition on foreign markets. This disorganisation is one of the most potent cases of economic friction between nations.

"Customs tariffs are no remedy for or palliative of the results of currency disorganisation. The experience of most nations which have experienced these difficulties indicates that budget equilibrium or the restoration of monetary stability is not to be attained by means of tariffs.

"International payments can ultimately only be made in the form of goods or services. It is an economic contradiction to increase import duties to such an extent as to prevent the transfer of goods which are the natural consequence of the granting of foreign credits or are required to meet payments resulting from international indebtedness.

"Such are the principal illusions and most dangerous practices which have impoverished the nations or hindered their economic reconstruction.

"The Conference recognises that barriers cannot be suddenly removed or substantially reduced without causing dislocation, but they are of opinion that Governments should immediately prepare plans for removing these obstructions by stages, starting with those duties which have been imposed to counteract the effect of disturbances that are now past. The Conference believes that, if the true results of the present system were understood by public opinion, it would be possible for Governments to commence this process of reducing their tariffs forthwith.

"It is, however, clear that the process will be more hastened if it can be carried out as a result of concerted action. It is desirable, in order to prepare the way for this concerted action, that the appropriate organisation of the League of Nations should examine the various proposals that have been laid before the Conference, and should take into consideration all matters relevant to its enquiry. The Conference therefore recommends that the removal of tariff barriers should be accelerated by two steps :

"(a) The immediate negotiation of commercial treaties ;

"(b) A study by the appropriate organisation of the League of Nations of further measures that can be taken to produce a general reduction.

"There are many aspects of tariffs apart from their level which affect the extent to which they obstruct the flow of trade.

"(Here should follow the substance of the preamble to the resolutions on Stability, Simplicity, Application (including *tarifs de combat*), Conventions, Most-favoured Nation and Nomenclature).

"4. Recommendations.

"In view of the fact that harmful effects upon production and trade result from the high and constantly changing tariffs which now obtain in many countries :

"And since substantial improvement in the economic conditions can be obtained by increased facilities for international trade and commerce ;

"And in view of the fact that tariffs, though within the sovereign jurisdiction of the separate States, are not a matter of purely domestic interest but influence the trade of the world ;

"And in view of the fact that some of the causes which have resulted in the increase of tariffs and in other trade barriers since the war have largely disappeared and others are diminishing ;

"The Conference expresses its definite opinion, for the information of all countries, that the time has arrived when the development should be in the opposite direction towards removal and reduction, and that the change is of the greatest importance in the interests of industry, trade and general prosperity of the world.

"This change of policy calls for an immediate action. The Conference therefore recommends :

"(1) That nations should take steps forthwith to reduce those rates of duty which were designed to meet temporary dislocation arising out of the war.

"In order to ensure, however, that this policy is continuously followed, the Conference recommends :

"(2) That States should proceed to the conclusion of commercial treaties, and

"(3) That the Council should instruct the appropriate organ of the League to undertake, on the basis of the principles enunciated by the Conference and in conjunction, if need be, with great international organisations, an investigation with a view of ascertaining what common action could be taken to reduce protective tariffs to equitable and moderate rates, and thus to encourage the extension of trade and at the same time to secure fair remuneration for the producer and increase the purchasing power of the consumer."

In the sub-section "Causes", a proposal by Sir Hubert Llewellyn Smith was adopted, inserting a paragraph (which now appears substantially in the Final Report) — to the effect that the evils resulting from bargaining tariffs have been accentuated because the vested interests, which had grown up in the meantime behind the shelter of *tarifs de combat* imposed prior to negotiations, have made impossible the reductions contemplated.

(In both the fifth and sixth paragraphs of "Causes" there was inserted at a later stage — in the Drafting Committee — the explanatory phrase to the effect that the practices referred to tariffs "of whatever system — autonomous or any other").

In the sub-section "Causes" the changes made in the text of the paragraph dealing with national defence, have already been recorded above, in the record of the first and second meetings (page 63).

In the same sub-section, "Causes", a proposal by M. Di Nola (Italy) was adopted, adding a paragraph to the effect that "the problem of population has induced certain countries which have a surplus of labour to base their Customs protection on this argument".

In the sub-section "Discussion of Commercial Policy", in the first sentence (M. Schüller's point (1)) of what is now the third paragraph in the Final Report, the text of the first part of the sentence was, after some discussion, changed to its present form in order to make it clear that the error "of exaggerated protectionism. . . . in imagining that it is always more advantageous to hinder imports than to increase exports" might be observed in an analysis of *European* commercial practices. The original text of M. Schüller was a general statement (*cf.* M. Schüller's Annex E, and part of Mr. Layton's Annex D).

In the same sub-section a proposal by M. Schüller (Austria) to add a paragraph to the effect that the lack of international co-operation in commercial matters is in contradiction to the development of the means of transport and other factors of international exchange, and should be remedied, was withdrawn.

The discussion on M. Schüller's point (3) — transfer of credits — is recorded below in the record of the fourth and fifth meetings of the Drafting Committee.

In the sub-section "Discussion of Commercial Policy", the deletion of the paragraph on the methods of undertaking "concerted action" (ultimately replaced by the present penultimate paragraph) has already been mentioned above, in the record of the first and second meetings (page 77).

In the sub-section "Conclusion", the changes made in the three recommendations have already been recorded above, in the record of the first and second meetings.

In the sub-section "Conclusion", a fourth recommendation (which, after subsequent amendment, now appears as Recommendation (3) of the Final Report), in conformity with the adopted proposal of Sir Hubert Llewellyn Smith under "Causes", was proposed by M. Serruys (France) at the fourth meeting and adopted, to the effect that the practice of introducing exaggerated rates for bargaining purposes, and especially of enforcing such rates in advance of negotiations, should be discontinued.

At a later stage — in the Drafting Committee — an amended text, substantially that of the Final Report, proposed by Dr. Trendelenburg (Germany) was adopted.

The draft resolutions as amended, were adopted by the Second Drafting Sub-Committee, and submitted to the Drafting Committee.

* * *

In the fourth and fifth meetings of the Drafting Committee, the draft resolutions as submitted by the Second Drafting Sub-Committee were discussed.

In the third and fourth paragraphs of the sub-section "Causes" (the results of increased productive capacity and efforts to attain self-sufficiency), and in the third paragraph of the sub-section "Discussion of Commercial Policy" (the mistaken policy of hindering imports rather than increasing exports), amendments, mainly textual, proposed by Sir Hubert Llewellyn Smith were adopted in the form in which those paragraphs now appear in the Final Report (see Volume I).

In the sub-section "Causes", in the paragraph dealing with national defence, the deletion of the clause referring to the Disarmament Commission has already been recorded above, in the record of the first and second meetings of the Second Drafting Sub-Committee (page 77).

A proposal by Mlle. VAN DORP to delete the first paragraph of the sub-section "Discussion of Commercial Policy", *viz.*, the declaration of the Conference that it does not attempt to pass judg-

ment on free trade and protection, respectively was withdrawn.

In the sub-section "Discussion of Commercial Policy", in the fourth paragraph, Mr. Norman Davis (U.S.A.) proposed deleting the last sentence — the statement that the practice of giving an artificial stimulus to exports, by excessive import duties is one of the most dangerous causes of market disorganisation and economic conflicts. M. Serruys (France) opposed this. It was decided to retain the sentence, with modifications, in the meantime, pending final decision by the Co-ordination Committee. The sentence was eventually retained.)

In the sub-section "Discussion of Commercial Policy", the proposal of Mlle. van Dorp regarding M. Schüller's point (4) — Customs tariffs are no remedy for currency disorganisation — has already been referred to above in the record of the first and second meetings of the Second Drafting Sub-Committee.

In the sub-section "Discussion of Commercial Policy", Dr. Trendelenburg (Germany) asked, at the fourth meeting, why M. Schüller's third point (Item (3) of Annex E) — transfer of credits — had been omitted.

(This point, as originally conceived (Annex E), was that, since transfer of credits can only be effected in the form of goods, it is irrational to increase import duties, and so check the means of payment of credits and international debts. In the texts of Mr. Layton and M. Serruys, submitted to the first meeting of the Second Drafting Sub-Committee, including their adoption of M. Schüller's points, Mr. Layton (Annex D) had omitted this point, and M. Serruys had, but without elaboration, included it. The point was adopted at that meeting, with modifications by its authors and others, to the effect that "International payments can ultimately only be made in the form of goods or services; it is an economic contradiction to increase import duties to such an extent as to prevent the transfer of goods which are the natural consequence of the granting of foreign credits or are required to meet payments resulting from international indebtedness." At the third meeting of the Second Drafting Sub-Committee, M. Serruys had proposed another text, to the effect that Customs barriers which hindered exports, the means for acquiring foreign exchange, might become an obstacle to certain countries in the settlement of their foreign debts, or at any rate in the facilities for transfer, and that the Conference, without going into the question of international debts, confined itself to mentioning the fact that they were to some extent affected by the tariff problem. Mr. Norman Davis had then pointed out that there were many other items, besides goods and services, which entered into international payments, *e.g.*, tourist expenditure, and had offered, if it was thought desirable, to submit a fairly exhaustive text on the relation between tariffs and international debts, but, he said, it would take a little time as the subject was very wide. On that understanding, the paragraph had been omitted from the draft resolutions as submitted to the Drafting Committee.)

In reply to Dr. Trendelenburg's question, Mr. Norman Davis (U.S.A.) explained that he had not yet had time to prepare the draft. It was also a question which had many political rather than economic angles.

Dr. Trendelenburg (Germany) said, speaking on the economic and not on the political aspect,

there were countries which did not, or did not wish to, pay or receive payment for debts by means of goods.

Mr. Norman Davis (U.S.A.) said it was a fact that a creditor country might not be willing to postpone its receipt of payment in bonds and securities and receive it partly in goods and services. It was more a financial and political question and not an economic question, and it would, perhaps be better not to deal with a matter that involved such things as war reparations and Allied debts.

Mr. Layton (British Empire) thought the question should be dealt with. It was, he said, also an economic subject.

M. Serruys (France) having spoken of the balance of indebtedness between nations, Sir Hubert Llewellyn Smith proposed a resolution to the effect that "the Conference recognises that high tariff barriers which impede the free flow of international commerce offer a serious obstacle to the smooth and ready settlement of the balance of indebtedness between different countries and between their nationals".

Mr. Norman Davis (U.S.A.) considered that the statement in this proposal was incomplete. Other things besides tariffs were involved. Export of goods was only one way of settling debts. Tourist expenditure, for example, was a means of international payment.

M. Gérard (Belgium) spoke on the difference between private and public debts.

Mr. Layton (British Empire) proposed some private discussion in the afternoon with a view to framing a text.

At the afternoon meeting (i.e., the fifth meeting of the Drafting Committee) it was decided that the question should be left open, and in the meantime, Mr. Norman Davis, Mr. Layton, M. Serruys and Dr. Trendelenburg would endeavour to arrive at a satisfactory text. However, owing, *inter alia*, to lack of time, it was not found possible to submit a text. No statement or resolution on this question appears in the Final Report.

In the same sub-section "Discussion of Commercial Policy", Mlle. van Dorp proposed to add a paragraph on moral and mental barriers, on the lines laid down by Sir Alan Anderson in the Final Report of the Trade Barriers Committee of the International Chamber of Commerce (page 13 of document C.E.I. 5 (1)) and already referred to by her at the first meeting of the full Sub-Committee. It was decided to refer the matter to the Co-ordination Committee. (The adopted proposal of Mlle. van Dorp on the moral effect of smuggling, in the sub-section "Causes", is dealt with in the record of the first and second meetings of the Second Drafting Sub-Committee, above, page 77).

In the sub-section "Conclusion", the modifications — (a), in Recommendation (1), to read ". . . to remove or diminish those tariff barriers. . . ."; and (b), in the last paragraph of Recommendation (4) (original Recommendation (3)), in referring to the interests of "workers" as well as "producers" — have already been recorded above, in the record of the first and second meetings of the Second Drafting Sub-Committee.

The adoption of Dr. Trendelenburg's text of the present Recommendation (3) of the Final Report (that the enforcing of bargaining rates, whether of *tarifs de combat* or general tariffs, should be abandoned), and the addition of the explanatory phrases in the fifth and sixth paragraphs of "Causes" in conformity therewith, have already been recorded above, in the record of the third and fourth meetings of the Second Drafting Sub-Committee, pages 67 and 66, respectively.

In the second paragraph of the present Recommendation (4) of the Final Report, the text before the meeting was to the effect that, in the enquiry to be undertaken, "the Economic Organisation should consult with. . . ., and also, so far as necessary, with the international and national organisations of Commerce, Industry, Agriculture and Labour". Dr. TRENDELENBURG (Germany) proposed to delete the reference to the international and national organisations (thus confining the consultation to Governments), until it was explained by M. SERRUYS (France) that this had been put in specially in order to include the International Chamber of Commerce and other international organisations. After some discussion, the text as it now appears was adopted, viz. ". . . ., so far as necessary, with the competent bodies representing Commerce, Industry, Agriculture and Labour".

Dr. Trendelenburg (Germany) proposed to delete the third paragraph of the same Recommendation (the present No. (4)) — the object of the injury — viz., ". . . to encourage the extension of international trade on an equitable basis while securing fair remuneration for the producer and increased purchasing power for the consumer". After explanation by M. DI NOLA (Italy), Chairman, and some discussion, in which Mr. LAYTON (British Empire) said the paragraph must be retained as it was the only place where Item (4) on the original agenda (purchasing power of the consumer) was referred to at all, Dr. Trendelenburg withdrew his proposal: and he, with M. Serruys, were deputed in collaboration with Sir Hubert Llewellyn Smith, to frame the text, which was *adopted* as it now appears, viz., ". . . to encourage. . . basis, while at the same time paying due regard to the just interests of producers and workers in obtaining a fair remuneration and of consumers in increasing their purchasing power."

M. Dvořáček (Czechoslovakia) proposed at the fourth meeting to add a fifth recommendation, to the effect that the fact that discussions, enquiries, etc., may be taking place, as contemplated in the recommendations of the Conference, should not retard commercial negotiations now pending or dissuade States from negotiating. The proposal was adopted, and at the fifth meeting it was decided to place it under the section "Commercial Treaties", where it now appears in the Final Report of the Conference as Resolution (4) (see Volume I).

The draft resolutions, as submitted by the Second Drafting Sub-Committee, were adopted by the Drafting Committee, and submitted to the full Sub-Committee.

* * *

The full Sub-Committee dealt with those resolutions at its fifth meeting.

M. Colijn (Netherlands), Chairman, speaking with reference to the eleven written series of proposed amendments which he had received (of which five dealt with tariff levels), explained that the draft resolutions refrained from expressing an opinion in favour either of free trade or of protection, but represented the expression of a balanced opinion between the two currents. They had tried to express an opinion that would be unanimously accepted.

With reference to the Soviet proposed amendments (see below, page 70), the Chairman said that point (a) (that the resolutions on Tariff Levels, Stability of Tariffs and Application of Tariffs should be presented as a whole) would be brought to the notice of the Co-ordination Committee, and that the Statement

following point (c) (that the U.S.S.R. cannot join in the invitation to the League to organise enquiries) would be noted.

The five series of proposed amendements referred to were :

1. M. MEYER (Denmark) regarding Discussion of Commercial Policy ;

2. M. KORNFIELD (Hungary) proposing : Items (1) to (6), regarding Agriculture ; Item 7), regarding Discussion of Commercial Policy ;

3. M. ANSIAUX (Belgium), regarding Recommendations (1) and (4) ;

4. The SOVIET MEMBERS regarding :

(a) Method of presentation of certain resolutions (Item (a)),

(b) Two amendements to Recommendation (1) (Items (b) and (c)),

(c) Statement of non-participation in the invitation to the League to organise enquiries, etc. ;

5. M. RIEDL (Austria) regarding Recommendation (4).

The amendment of M. Meyer was read, proposing, in the draft report on Tariff Levels (*i.e.*, page 118 above), after the words ". . . . defeats its own object" in line 14, (English text) to add the following paragraph :

" It is a mistake to suppose that increased employment can be found through high tariffs which reduce the import of foreign goods, thereby leaving room for increased production at home. In international trade, imports pay for exports and a reduction of the former will, as a rule, cause a reduction also of the latter. Again, high tariffs exercise an unfavourable influence on export industries in other countries, whereby their capacity to buy from the highly protected countries is reduced. Thus the increased employment in protected industries must be balanced against diminished employment in other industries. Furthermore, experience shows that many countries resort to retaliatory measures, which impair the position of export industries in the countries which started the high protection. In fact, far from being a means of reducing unemployment, a tariff policy of this nature has been one of the most potent causes of European unemployment after the war. "

M. Meyer (Denmark) outlined the argument in his proposed amendment. A reduction in imports would, as a rule, cause reduction in exports. High tariffs unfavourably influenced the export industry in other countries, reducing their capacity to buy from the high-tariff countries ; and so the increased employment in the protected industries must be balanced against decreased employment in other industries. Further, retaliatory measures were resorted to, impairing the position of export industries in the country which started the high protection.

M. Di Nola (Italy) read the following statement :

" I regret to declare that I cannot accept the amendment proposed by the Danish delegate.

" The report, on Tariff Levels confines itself to stating that certain countries have been compelled to have recourse to Customs protection in order to provide work for the surplus labour available in consequence of the obstacles placed by certain countries in the way of emigration.

" This is a plain statement of an incontrovertible fact. In examining its causes, it must be admitted that they are of two kinds :

" (1) The excessive Customs protection existing in many countries, including those which, on the other hand, apply the severest restrictions on immigration, which greatly reduces the possibility of exportation ;

" (2) The restrictions on immigration.

" The causes being of two kinds, it is evident that the remedies must also be of two kinds ; the former would consist in reducing the Customs protection existing in almost all countries, and the second in reducing the restrictions imposed on immigration.

" It would be neither just nor correct to condemn the protectionist policy which certain countries pursue in order to provide work for their surplus labour without simultaneously alluding with clearness to the restriction of immigration practised by certain other countries.

" As far as Italy in particular is concerned, I should like to observe that the population problem plays a most important part.

" While, in 1913, Italian emigration exceeded the figure of 800,000, it has fallen in recent years to little more than 300,000. On the other hand, the increase of the population has reached a level higher than that of the years before the war.

" In order to solve the population problem, Italy has tried to exploit her very limited natural resources in every way. She has voluntarily submitted herself to a regime of work and discipline such as is to be found in very few countries.

" Italy has never had recourse to a policy of exaggerated protectionism. Italian Customs duties are certainly not among the highest. The enquiry conducted by the League of Nations shows that Italy has given proof of moderation in the field of Customs policy, although the costs of production in Italy are necessarily higher on account of the small amount of capital available, the small size of the home market and the low purchasing power of the inhabitants.

" It is in any case true to say that, if Italy could more easily export to foreign markets certain of her characteristic products, both agricultural and industrial, and if she could at the same time export her surplus labour, her Customs protection could in some degree be lessened.

" Finally, given the situation which I have briefly described, a critical examination of the simple statement of fact in the report demands the mention at the same time of all the causes which have given rise to the Customs policy of overpopulated countries, and the indication of the possible remedies. These remedies can only, I repeat, consist of the reduction of Customs tariffs of all countries and of the elimination or attenuation of the restrictions imposed on immigration. "

M. Meyer (Denmark) withdrew his amendment.

The amendment proposed by M. Ansiaux (Belgium) was read, proposing, in Recommendation (1), to insert the word " appreciably ", so as to read " that nations should take steps forthwith to remove or appreciably diminish those tariff barriers that gravely hamper trade "

M. Ansiaux (Belgium) explained that the object of his amendment was to bring the text of the recommendation into line with that of an earlier paragraph, *viz.*, the present sixth paragraph of the sub-section " Discussion of Commercial Policy ", in the Final Report —, which stated that " the Conference recognises that the removal or

substantial reduction of Customs barriers cannot be brought about suddenly without causing dislocation, but it is of opinion that Governments should immediately prepare plans for removing or diminishing by successive stages those barriers that gravely hamper trade”

M. Serruys (France) opposed the amendment. The recommendation as it stood was, he said, already in exact conformity with the earlier paragraph cited by M. Ansiaux, and the acceptance of M. Ansiaux's proposal would have exactly the opposite meaning to what M. Ansiaux intended.

M. Ansiaux (Belgium) held to his proposal, but, after an exchange of views with M. SERRUYS (France), in the course of which the latter said that the amendment was tendencious and illogical, he withdrew it.

The amendments of the SOVIET MEMBERS were read, proposing :

(a) “ In view of the close connection of the questions treated in the resolutions on tariff Levels, Stability of Tariffs and Application of Tariffs, the Soviet delegation, the Co-ordination Committee to present these resolutions to the plenary meeting as one whole.” (Note. — See the Chairman's remarks, above, page 68) ;

(b) In Recommendation (1), which reads : “ The Conference recommends that nations should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war”, to add at the end : “ recognising that colonial countries and countries of the East have special interests in view of the deep difference of their economic life and that of large industrial countries ” ;

(c) In the same recommendation, to insert after the words “ starting with”, the words “ duties on agricultural produce, in view of the fact that these cause a rise in the cost of living and are detriment to the standard of life of the working class, and ”.

Here followed a statement identical, *mutatis mutandis*, with the last paragraph of the proposal on page 81, to the effect that the U.S.S.R., not being a Member of the League of Nations, could not join in the invitation to the League to organise enquiries, etc.

M: Khinchuk (U.S.S.R.) explained the proposals.

M. Colijn (Netherlands), Chairman, ruled, M. Khinchuk objecting, that items (a) and (b) should be taken together.

After a discussion, in which took part M. Khinchuk (U.S.S.R.) ; M. Serruys (France), who dealt with point (b), Colonial and Eastern countries ; M. Kaufmann (U.S.S.R.), who spoke on the problem of agrarian duties — point (c) — and the separate interests of colonial and Eastern countries — point (b) ; M. Molitor (Persia), who supported point (b) ; Mlle. van Dorp and the Chairman, both of whom advised withdrawal of the amendments, as the points had not been cleared up, the points (a) and (b) were put to the vote and lost. Point (c) was withdrawn.

The amendment proposed by M. Riedl (Austria) was read, proposing, in Recommendation (4), with reference to the enquiry regarding “. . . . the possibility of further action by the respective States, with a view to reducing tariffs”, to insert, after the words “ respective States”, the words “ concerted action among States ”.

M. Riedl (Austria) explained that the object of his amendment was to bring the text of the recommendation into line with that of an earlier paragraph, reading : “ It is, however, clear that the process will be hastened if it can be carried out as a result of concerted action among States ”.

M. Serruys (France) opposed the amendment. The Drafting Committee, he said, had specially omitted it ; but the Recommendation as it stood did not all preclude the possibility of concerted action on the part of several States.

M. Riedl (Austria) said it was important that concerted action should not be excluded. If the formula as it stood permitted concerted action, he was satisfied. On the assurance of the Chairman that concerted action was not excluded, M. Riedl (Austria) withdrew the amendment.

The amendment proposed by M. Ansiaux (Belgium) proposing, in Recommendation (4), to omit the word “ excessive”, so that the contemplated further action would deal with “. . . . the obstructions which [excessive] Customs tariffs offer to international trade”, was withdrawn.

The amendments proposed by Baron KORNFIELD (Hungary), were read, proposing :

Items (1) to (6), to recognise that the resolutions applied to agriculture as well as to industry and commerce :

Item (7), proposing, in connection with the action to be taken for removing tariff barriers, to substitute, for the paragraph reading : “ It is, however, clear that the process will be hastened if it can be carried out as a result of concerted action among States”, the following : “ It is, however, clear that the process can only be carried out by concerted action among States ”.

The Chairman explained that the first six items related to agriculture and to the substitution of the word “ production” for the word “ industries” in several places. At this stage, he thought it inadvisable to make, in the Commerce Committee's resolutions, any changes which might be contradictory to the drafting of the Agriculture Committee. He suggested that the points should be referred to the Co-ordination Committee.

Baron Kornfeld (Hungary) said the first six items constituted really only one amendment. Wherever “ industry” was referred to, the reference should be to agriculture too. He would withdraw the proposals on the understanding that they would go to the Co-ordination Committee. There, the CHAIRMAN assured him, the proposals would receive every consideration.

(Items 1 to 6 were referred to the Commerce Co-ordination Committee, and a resolution covering the points was eventually added and now appears at the end of the sub-section “ Discussion of Commercial Policy” in the Final Report ; see the record of the proceedings of that Committee, page 4).

To Baron Kornfeld's (Hungary) suggestion that, as Items (1) to (6) were going to the Co-ordination Committee, Item (7) should also go, Sir Hubert Llewellyn Smith objected. Item (7), he said, was of quite a different character. He opposed the adoption of Item (7) ; it was too strong ; its adoption would mean that the Conference considered that no action except concerted action would give results. The paragraph in the resolutions simply stated that concerted action was better.

Baron Kornfeld (Hungary) said he had no intention to modify the spirit of the resolutions, and withdrew the amendment (Item 7).

The Chairman (M. Colijn), in closing the discussion on this particular subject and announcing the adoption of the draft resolutions thereon, thanked the members for having brought their difficult task to a successful conclusion.

The draft resolutions on "Tariff Levels", as submitted by the Drafting Committee, were adopted by the full Sub-Committee without amendment. The draft resolutions so adopted were submitted to the Commerce Co-ordination Committee.

The draft resolutions on this subject, as submitted to the Commerce Co-ordination Committee, passed through all subsequent stages and became embodied in the Final Report of the Conference with no substantial change, except for: in the sub-section "Discussion of Commercial Policy":

(a) The deletion of the paragraph stating that tariffs are no remedy for the results of currency disorganisation. (Deleted in the plenary Commerce Committee.)

(b) The insertion of the penultimate paragraph, encouraging bilateral agreements and recommending a study by the League of the common measures to be adopted. (Added in the Commerce Co-ordination Committee.)

(c) The insertion of the last paragraph, applying the considerations to Agriculture as well as to Industry and Commerce. (Added in the Commerce Co-ordination Committee.)

11. FISCAL CHARGES IMPOSED ON IMPORTED GOODS.

There was no discussion on this subject in the first three meetings of the full Sub-Committee.

* * *

The Drafting Committee had before it at its fifth (and last) meeting, when it first discussed this subject, the texts of:

The INTERNATIONAL CHAMBER OF COMMERCE (Items 1 and 2 of its Trade Barriers Committee's proposed extensions to the resolutions adopted by the Council of the League of Nations in 1923 on the Fiscal Treatment of Foreigners — Section (d) of the second sub-chapter of Chapter I of the Final Report of the Trade Barriers Committee — Document C.E.I.5 (1), page 18), proposing:

"(1) That the excise duties on production, manufacture or consumption levied in any contracting State, whether by the State, by communes or by municipalities, shall in no case when applied to goods from another contracting State be different from or higher than the excise duties levied on national goods;

"(2) That, in assessing taxes of all kinds on commerce and industry, differences of origin of goods shall in no case lead to a higher assessment";

"(3) That nationals of contracting States who are engaged in the transportation of passengers or goods, or in navigation, whether maritime or fluvial, between places of different nationalities shall not be subjected to special taxation by reason of their activity within the limits of another contracting State".

The INTERNATIONAL CHAMBER OF COMMERCE (see Annex A, page 83).

Mr. Norman DAVIS (U.S.A.), Item (6) of Annex C, proposing that all Customs charges should be combined into a single rate.

M. SERBUYS (France), i.e.:

"Whereas the practice has unfortunately become prevalent of imposing on imported goods internal consumption, excise, *octroi*, circulation, manipulation and other duties which do not apply at all or do not apply in the same degree to similar home products;

"Whereas States are not justified in placing obstacles in the way of international trade by selecting, for the purpose of obtaining revenue from indirect taxes, foreign products which have no counterpart in the country or by taxing foreign products more heavily than identical or similar home products;

"Whereas, when goods have been legally imported duty free or when they have discharged the Customs duties and accessory Customs fees, they must be regarded as duly naturalised and cannot continue after their importation to be treated on a different footing from home products;

"Recommends:

"(1) That when States desire to obtain revenue from indirect taxes they should not impose the burden preferably on products that they do not produce themselves and should not exempt from this burden similar home products;

"(2) That all internal-consumption, excise, *octroi*, circulation, manipulation and other duties should be applied in the same manner and in the same degree to the products of all foreign countries and to identical and similar home products."

Dr. TRENDELENBURG (Germany), proposing the addition of the following paragraph to the proposals of M. Serruys:

"(3) That nationals of the contracting States who convey goods or passengers by sea or river between places in different countries should not be subjected to any special tax for carrying on their business in the territory of another contracting State." — (Final report of the Trade Barriers Committee to the International Chamber of Commerce, page 18.)

There was a short discussion, in which took part: M. Di Nola (Italy), Chairman; M. Serruys (France), who, in explaining his proposals, cited, as an instance of possible discrimination between home and foreign production of similar goods, wine brandy and corn brandy; M. Dolezal (Poland), who remarked that the question of fiscal treatment of foreigners had already been dealt with by Sub-Committee; and M. Wijkman (Sweden), who referred to the question of flag discrimination.

M. Serruys' proposals were adopted, his No. (2) with slight textual amendments, and his No. (1) after being recast. They now appear, substantially as adopted in the Drafting Committee, as Recommendations (1) and (2) respectively, in the Final Report (see Volume I).

It was decided to submit Dr. Trendelenburg's proposal to the Co-ordination Committee, amended to the extent that the word "contracting" was deleted in both places, thus making the proposal general in application.

* * *

At the fifth (and last) meeting of the full Sub-Committee, the following draft resolutions

submitted by the Drafting Committee were discussed and adopted without substantial amendment :

"Whereas the practice has unfortunately become prevalent of imposing on imported goods internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which do not apply at all or do not apply in the same degree to similar home products ;

"Whereas States are not justified in placing obstacles in the way of international trade by selecting, for the purpose of obtaining revenue from indirect taxes, foreign products which have no counterpart in the country or by taxing foreign products more heavily than identical or similar home products ;

"Whereas, when goods have been legally imported duty-free or when they have discharged the Customs duties and accessory Customs charges, they must be regarded as duly nationalised and cannot continue after their importation to be treated on a different footing from home products ;

"Recommends :

"(1) That all internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., should be applied in the same manner and in the same degree to the products of all foreign countries and to identical and similar home products ;

"(2) That the States should not impose consumption or other internal taxes for the purpose of giving a disguised protection to national products."

These resolutions passed through all subsequent stages with little discussion and no substantial change, and became embodied in the Final Report (see Volume I).

12. EXPORT DUTIES.

In the first three meetings of the full Sub-Committee there was little discussion on this subject.

M. Barboza-Carneiro (Brazil) at the third meeting, in the course of his speech, mentioned that the export duties levied by the Brazilian States were an important source of revenue and were applied equally to all countries without discrimination.

M. Uyeda (Japan), at the first meeting, expressed the opinion that export duties should be abolished and that, if a country desired to retain its raw materials, it should do so by other means. There should be unrestricted access to raw materials and foodstuffs from other countries (see also page 47).

* * *

At the third meeting of the Drafting Committee, it was decided to entrust the Second Drafting Sub-Committee with the drafting of the resolutions. Accordingly the proposals already submitted and distributed were referred to that Sub-Committee.

* * *

The Second Drafting Sub-Committee had before it at its fourth meeting, when it first discussed this subject, the texts of :

The INTERNATIONAL CHAMBER OF COMMERCE (Annex A, page 83).

M. SERRUYS (France): Item (2) of Section A, "Freedom of Trade", of his draft resolutions (see Sub-Committee 1, page 13), proposing that

the supply of raw materials should not be subjected to restrictions or differential conditions by export duties designed :

(a) To impose an excessive burden on the foreign user, thereby placing him in an inferior position as regards industry ; or

(b) To force the foreign consumer to pay a bounty on national production ; or

(c) To maintain prices when free competition would tend to reduce them.

The JAPANESE MEMBERS (see page 47), proposing abolition of export duties, and adoption of other measures for retaining raw materials in the exporting country ;

Mr. Norman DAVIS (U.S.A.), Item (1) of Annex C, proposing non-discrimination in export duties or other charges, etc. ;

M. DI NOLA (Italy), as follows :

"Whereas the free circulation of raw materials is one of the essential conditions for industrial development and international economic reconstruction :

"And whereas any export tax on raw materials must necessarily increase the cost of production and can only serve to aggravate the natural inequalities arising from the geographical distribution of world wealth :

"The International Economic Conference recommends :

"(1) That the exportation of raw materials should not be unduly burdened by export duties or any other taxes and that, even in cases where such duties or taxes are justified by fiscal needs, they should be as low as possible :

"(2) That, in any case, export duties on raw materials should never be intended either to impose on foreign countries using them an increased burden, thus placing them in a position of inferiority as regards the production of the finished article, or to secure from the foreign consumer a premium on national production."

Owing to lack of time, full discussion was postponed, and, in the meantime, draft resolutions embodying the proposals already submitted were prepared and submitted to the Drafting Committee, which discussed them at its fifth meeting.

M. Di Nola (Italy), Chairman, explained that the draft had been prepared by Sir Hubert Llewellyn Smith ; it included his (M. Di Nola's) two recommendations plus two others. M. Di Nola said he could accept the document.

Mr. Layton (British Empire), speaking on Recommendation (2) as it then stood (M. Di Nola's original Item (2)), with reference to the last clause, viz., that export duties on raw materials should never be intended "to secure from the foreign consumer a premium on the national production", said that export duties were payable by the exporter and consequently were passed on to the consumer in the case of raw materials for immediate consumption, but not necessarily so in the case of raw materials for manufacture. The clause was deleted.

In the second paragraph of the preamble, on the proposal of Dr. TRENDELENBURG (Germany), the word "therefore" (as it now appears in the Final Report) was inserted in place of the original word "further", thus making the opinion of the Conference regarding the export taxes (as expressed in the second paragraph) consequent upon, and not

additional to, its opinion regarding the free circulation of raw materials (as expressed in the first paragraph).

In other respects, the draft resolutions as submitted by the Second Drafting Sub-Committee were adopted by the Drafting Committee without substantial change, the text adopted being as follows :

" The Conference is of opinion that the free circulation of raw materials is one of the essential conditions for the healthy industrial and commercial development of the world.

" It is therefore of opinion that any export tax on the raw materials or on the articles consumed by producers which has the effect of increasing the cost of production or the cost of living in foreign countries tends thereby to aggravate the natural inequalities arising from the geographical distribution of world wealth.

" The Conference therefore considers that export duties should only be resorted to to meet the essential needs of revenue or some exceptional economic emergency and that they should not discriminate between different foreign destinations.

" The Conference accordingly recommends :

" (1) That the exportation of raw materials should not be unduly burdened by export duties or any other taxes and that, even in cases where such duties or taxes are justified by fiscal needs, they should be as low as possible ;

" (2) That in any case export duties on raw materials should never be imposed for the purpose of subjecting foreign countries using them to an increased burden which will place them in a position of inferiority as regards the production of the finished article.

" (3) That export duties on the raw materials, whether levied for revenue purposes or to meet some exceptional economic situation, should never discriminate between different foreign destinations ;

" (4) That the above principles apply equally to export duties on articles of consumption."

* * *

These resolutions were discussed at the fifth meeting of the full Sub-Committee.

An amendment by the Soviet members was introduced by M. Khinchuk (U.S.S.R.), proposing, in Recommendation (1), to insert a clause (viz., the italicised words) to the effect that " the exportation of raw materials, *except those which are mainly or exclusively used in the production of luxury goods,* should not be unduly burdened" (see Final Report of the Conference, Volume I). M. Khinchuk said he would withdraw the amendment if M. Serruys could give an undertaking that it would be dealt with in the Co-ordination Committee.

On being put to the vote, the amendment was lost.

M. Colijn (Netherlands), Chairman, announced that there were three other proposed amendments — those of M. Marino Perez (Cuba), M. Brieba (Chile) and M. Ramsay (Finland), and the meeting would deal first with that of M. Ramsay, which, he said, was wider than the others.

These amendments were by :

M. Ramsay (Finland), proposing :

(a) To delete the second paragraph of the preamble, viz., the opinion of the Conference

that any export tax which increased the cost of production, etc., tended to aggravate natural inequalities ;

(b) To insert in the third paragraph of the preamble a clause (viz., the italicised words) to the effect that export duties should only be resorted to for " revenue or some exceptional economic situation *or to safeguard the vital interests of the country* " ;

(c) In Recommendation (1), to add a clause (the italicised words) to the effect that, when export duties " are justified by fiscal needs, *or by exceptional or compelling circumstances,* they should be as low as possible " ;

(d) To delete Recommendation (2), viz., that export duties should never be imposed for the purpose of placing the foreign user in an inferior position, etc. ;

(e) In Recommendation (3), which then read : " that export duties on the raw materials, whether levied for revenue purposes or *to meet some exceptional economic situation,* should never discriminate between different foreign destinations ", to replace the clause (here shown in italics) by another clause, viz., " to meet exceptional or compelling circumstances " ;

M. BRIEBA (Chile), proposing :

(a) In the second paragraph of the preamble to replace the " opinion that *any* exports tax tends thereby to aggravate ", by the " opinion that *most* export taxes tend thereby " ;

(b) In the third paragraph of the preamble to insert (words in italics) : " export duties should only be resorted to to meet the essential needs of revenue *to compensate the devalorisation which exportation produces in the country,* or some exceptional economic situation "

(c) and (d) In Recommendation (1) to insert (italicised words) : " exportation of raw materials, *particularly those of agricultural origin,* should not be unduly burdened and that, even in cases where such duties or taxes are justified by fiscal needs *or the necessity of compensation,* they should be as low as possible " .

M. Marino PEREZ (Cuba), proposing to delete paragraph (2) of the preamble (proposal identical with M. Ramsay's proposal (a)).

M. Ramsay's proposed amendments (a) and (d) were dealt with first, viz., to delete the second paragraph of the preamble and Recommendation (2), containing: the opinion that an export tax which increased production costs or cost of living abroad tends to aggravate natural inequalities, and the recommendation that an export tax should never be imposed to increase the burden of the foreign user so as to place him in an inferior position as regards the production of the finished article — substantially the present text of the Final Report.

M. Ramsay (Finland) said the natural inequalities of countries due to geographical situation could not be abolished — the sunshine of Southern Europe in the production of Southern fruits and wines, and the forests of the Northern countries. An export tax might be necessary for revenue or in the vital interests of a country, and it was incidental whether it did or did not increase the cost of production or cost of living abroad. The effect abroad was not necessarily a consequence of the intention at home.

M. Marino Perez (Cuba), in supporting M. Ramsay's points (a) and (d), said that Cuba had no export duties. He read the preamble to his own amendment:

"Countries which possess a relative monopoly over certain raw materials, and must rely upon them to a large extent for their economic welfare and as sources of revenue, find themselves to a considerable degree dependent upon the manufactured articles and foodstuffs of other countries. As long as the latter are increased in price by a system of protective duties, by taxes on manufactures, by price fixing agreements between organised producers and in other ways, it cannot be regarded as unfair or unjustified for any country to levy an export tax on its particular products, even though they constitute raw materials. In levying such a tax, each country must consider the present and ultimate effect upon its own national economy, upon the wisdom of curtailing consumption of the article in question, and whether the profits to be obtained from the sale of the commodity in the world markets are not in fact decreased as the result of an export tax. Subject to these considerations, there would seem to be no economic reason for expressly disapproving of export taxes as long as other forms of protection and of taxation, when applied to all classes of essential commodities, are not as emphatically disapproved.

"It is just as necessary for the healthy industrial and commercial development of the world to have the free circulation of essential manufactured articles and of practically all classes of foodstuffs as it is to have the free circulation of raw materials.

"It is therefore proposed that paragraph 2 of the resolution on export duties be omitted."

M. Serruys (France), speaking on M. Ramsay's point (a), said there was no intention in the resolutions to ideally equalise natural differences of resources and climate, e.g., export duties on crude zinc or on rabbit-skins must inevitably, by aiding the local factories to the detriment of their foreign competitors, have the effect of discrimination as between the home and the foreign manufacturer.

M. Ramsay (Finland) said Finland had no export duties. He read a passage from the Finnish report to the Conference on the Economic Position¹ regarding the expensive transportation costs of Finland's chief export, wood-pulp, which, owing to the tariff policy of other countries, had to be exported in the bulky and costly raw state.

The Chairman closed the discussion. On being put to the vote, the amendments (a) and (d) of M. Ramsay (Finland) were lost against the votes of five members.

The proposed amendments of M. Briebe summarised above, page 73, were dealt with together.

M. Briebe (Chile), speaking on the devalorisation produced in a country by the export of wealth from an irreplaceable source, such as mineral products, said that such countries should be allowed liberty to protect themselves in world markets, particularly when their mineral resources constituted their sole means of subsistence. It was only the yield of their mines that permitted such countries to make capital investments for the future development of the mines and provision for the stabilisation of the country itself against the inevitable day when the mines would be worked out.

¹ Document C.E.I.29, 1st Series, page 13 thereof: "Principal Features and Problems of the World Economic Position from the Point of View of the Different Countries: Statement concerning Finland".

Sir Hubert Llewellyn Smith pointed out that there was nothing in the resolutions to prevent the imposition of export duties.

M. Marino Perez (Cuba) said that Recommendation (2) was in contradiction with that statement and with Recommendation (3) — non-discrimination as between different foreign destinations.

M. Barboza-Carneiro (Brazil) said he was strongly opposed to export duties for discrimination purposes. There were, however, export duties for revenue purposes. In Brazil, the export duty on crude rubber constituted the main source of revenue of the individual States. These States could not by law renounce the tax. Its imposition was given as a collateral security against certain loans. Brazil certainly had a rubber manufacturing industry, but that did not affect the case.

The Chairman said that, as Sir Hubert Llewellyn Smith had rightly pointed out, the discussion was based on a misunderstanding. The draft resolutions as they stood did not mean that export duties were prohibited. He said he failed to see the objections to the text as it stood.

M. Marino Perez (Cuba) then withdrew his proposed amendment (which was identical with proposal (a) of M. Ramsay (Finland)) and proposed the insertion of the word "special" in Recommendation (2) — "that . . . export duties on raw materials should never be imposed for the special purpose of subjecting foreign countries using them to an increased burden"

The proposal to insert "special" was adopted.

M. Barboza-Carneiro (Brazil) withdrew an amendment proposing to substitute for Recommendation (2) the following: "that in any case export duties on raw materials should never be imposed for the purpose of impeding the industrial expansion of foreign countries which use those raw materials".

M. Briebe (Chile) then withdrew his proposals in favour of the remaining proposals of M. Ramsay (Finland), M. Ramsay's points (b), (c) and (e), dealing with the third paragraph of the preamble and Recommendations (1) and (3).

M. Ramsay's points (b), (c) and (e) were adopted.

In other respects, the draft resolutions as submitted by the Drafting Committee were adopted without change.

* * *

The draft resolutions on the subject of "Export Duties", as adopted by the full Sub-Committee, were submitted to the Commerce Co-ordination Committee, and passed through all stages with no substantial change and became embodied in the Final Report of the Conference (see Volume I).

* * *

13. COMMERCIAL TREATIES.

The discussion and treatment of this subject centred round the questions of the most-favoured-nation clause, equality of treatment in Customs matters, and contractual methods in commercial negotiations, in such a way as to preclude the possibility of subdividing the subject in this summary of proceedings.

* * *

At the first three meetings of the full Sub-Committee, there was a certain amount of discussion on this subject.

M. Uyeda (Japan), at the first meeting, expressed the opinion that simplification of tariff

nomenclature should not involve detriment to the most-favoured-nation clause; in treaties, tariffs as well as the most-favoured-nation clause should be included (see also page 47).

M. Ansiaux (Belgium), at the first meeting, said that, with reference to the speech of M. Riedl (Austria) in the plenary Commerce Committee, at its second meeting, if M. Riedl meant, by "joint and parallel action" in treaty negotiations, to imply "simultaneity and publicity" in such negotiations, then he agreed. This, said M. Ansiaux, might be accomplished by a revival of the old most-favoured-nation clause in its unconditional form (see also page 49 and the subject heading "Tariff Levels", *supra*).

M. Serruys (France), at the second meeting, said that unification of tariff nomenclature was a good thing in itself, but, after all, it was only the classification of the goods — the subject-matter. More important was the question of commercial treaties. These were the link between the people and the goods.

He then outlined the changes introduced in the German and the French tariff systems in 1891 and 1892. The year 1891 was an unhappy year, inasmuch as the Reich's Chancellor Caprivi introduced in Germany the era of the bargaining tariff (the "general-conventional" or "reducible autonomous" tariff, *i.e.*, a general or autonomous tariff reducible by negotiation), what, said M. Serruys, has since been known in the Anglo-Saxon world as the "fighting tariff" (*tarif de combat*). The post-war *tarif de combat*, however, was no longer merely put on the table as a threat; it was actually inflicted before negotiation, sometimes against a single country; and countries were liable to find themselves one fine morning faced with a high barrier. That was the iniquity of the autonomous tariff. Then, in 1892, France inaugurated the "maximum-minimum" or "double-tariff" system, and based her tariff policy on her own national economic system, without considering that of other countries. France was now endeavouring to reverse that policy. M. Serruys referred to the dangers of the French and Spanish system. This system, the maximum-minimum system, had resulted in irreducible minimum rates, set beforehand either too high or too low, or ill adapted to the economic needs of the country, and consequently sometimes resulting in the adoption of intermediate rates restricting the most-favoured-nation clause and introducing discrimination. Both the maximum-minimum and the autonomous systems had their drawbacks.

Speaking on the most-favoured-nation clause, he asked was it essential that that should be taken as a starting-point? The most-favoured-nation clause, in its practical application, often gave not an open door for a closed door but equality, which often meant a closed door — closed equally to all. M. Serruys referred to the adoption of the conditional form of the most-favoured-nation clause by the United States in 1818, and their recent change in policy to the unconditional form. What was wanted was not a most-favoured-nation clause leading to a closed door, but equivalent concessions. It could not be done exactly. The concessions must be real. They need not — indeed, they could not — be identical, because an exact *quid pro quo* was impossible. The most-favourable-nation clause must, he said, be accompanied by a guarantee not to injure trade. The clause, *per se*, was not a guarantee. The result of the most-favoured-nation clause in Europe was that the wall is certainly the same height for all, but it is the same height for each country as it is for that country's chief competitor. Most-favoured-nation treatment

should also be accompanied by a guarantee of *de facto* reciprocity and a decrease in duties — by equivalent concessions, identical concessions being impossible.

M. Serruys proposed to put in some suggestions on this question on the following day (see Annex F, page 94).

Mr. Norman Davis (U.S.A.), at the second meeting, said the American members had examined with deep interest the proposals of M. Serruys concerning the principles and practices which should govern international commercial relations. With most of the principles set forth in the proposals they were in substantial accord. He said the most fundamental principle was equality of treatment. Even though the tariff systems of two countries were different, the granting of equal treatment promoted commerce and reduced difficulties. Speaking for the United States members, Mr. Davis gave an itemised definition of what was meant by "equality of treatment": (1) non-discrimination in duties, etc.; (2) and (3) fair and uniform formalities and regulations; (4) abolition of prohibitions and restrictions (see Annex C, page 88).

The American members, said Mr. Norman Davis, were gratified to find that their attitude in regard to equality of treatment was substantially supported by the recommendations of the Trade Barriers Committee of the International Chamber of Commerce and by numerous endorsements during the Conference.

He then outlined the difference in practice in the United States during the century of conditional most-favoured-nation treatment and the present period (since 1922) of unconditional most-favoured nation treatment.

The American members were convinced, he said, "that the universal adoption of the principle of equality of treatment as the basis of international commerce and of treaty relations would promote commercial intercourse among nations, abolish discriminations, diminish complaints and international friction, and would tend in an important degree to promote the peace and prosperity of the world".

Mr. Layton (British Empire), at the second meeting, said he heartily agreed with M. Serruys in condemning the present practices in regard to *tarifs de combat*.

M. Dvořáček (Czechoslovakia), at the second meeting, after referring to the question of abolition of restrictions or prohibitions, which had been studied by the Economic Committee, dealt with what he considered to be the most important matter, and the most equitable, in contractual methods, namely, the most-favoured-nation clause, which, in spite of its disadvantages pointed out by M. Serruys, avoided discrimination. He spoke of the *rapprochement* in Central Europe and the adoption of the most-favoured-nation clause with regional exceptions. The most-favoured-nation clause should be completed by conventional tariffs. Stabilisation of Customs duties and an extension of consolidated rates were necessary in order to improve Customs relations.

M. Ramsay (Finland), at the second meeting, said that the Conference should establish principles leaving each country free to interpret them in application, for it appeared to be impossible to find in practice methods suitable for all. If a resolution were adopted, rigidly imposing the most-favoured-nation clause, it would render impossible the establishment of Customs unions, which would otherwise be realisable in the case of small States.

M. Riedl (Austria), at the third meeting, outlined the proposals of the Austrian National Committee of the International Chamber of Commerce regarding tariff levels. The principal point was a change in commercial policy. They suggested, he said, joint and parallel negotiations in the future, undertaken by a large number of States, and with the principle of publicity adopted.

In the past, negotiations had been isolated and strictly bilateral. The results were unsatisfactory. The predominant feature of the old system, viz., to retain the maximum amount of protection while negotiating, would have to be changed by taking in a wider field of negotiators, who would have agreed beforehand to reduce their rates as much as possible (see page 49).

M. Ansiaux (Belgium) recast the principal points of M. Riedl's proposals, under five heads, emphasising that a contracting State would be at liberty to accord most-favoured-nation treatment to a non-contracting state.

M. Bourilkoff (Bulgaria), at the third meeting, said the present Customs system in Bulgaria was that of a general autonomous tariff with no conventional reductions. Her present treaties contained no tariffs, but only the most-favoured-nation clause. This, however, was only provisional; it was realised that a regime of stable and conventional Customs duties would be beneficial from the point of view not only of international but also of national interests.

On the question of the most-favoured-nation clause, he was in agreement with other speakers that it should be applied generally and in its unconditional form. The principle of equivalence in mutual concessions could not, he said, be applied strictly between two countries only; its realisation should be the final result of the mutual relations of all countries. This result, in so far as it was practicable, could be achieved automatically by the system of collective commercial treaties.

M. Colijn (Netherlands), Chairman, in closing the general discussion at the end of the third meeting, announced that the various proposals and opinions expressed in the speeches or submitted in writing would be taken into careful consideration by the Drafting Committee.

* * *

The Drafting Committee had before it, at its second meeting, when it first discussed this subject, the texts of:

The INTERNATIONAL CHAMBER OF COMMERCE, Sub-Chapter A, and Item 5 of Sub-Chapter B, Annex A, page 83.

The INTERNATIONAL CHAMBER OF COMMERCE (Item 2 of its Trade Barriers Committee's proposed extensions to the resolutions adopted by the Council of the League of Nations in 1923 on the Fiscal Treatment of Foreigners — Section (d) of the second sub-chapter of Chapter I of the Final Report of the Trade Barriers Committee — Document C.E.I.5 (1), page 18), proposing, in connection with preferential duties: "(2) that in assessing taxes of all kinds on commerce and industry, differences of origin of goods shall in no case lead to a higher assessment".

M. SERRUYS (France), Annex F.

M. CORRÊA (Portugal), Items (1), (2) and (3) of Annex B, page 88.

The JAPANESE MEMBERS, Item C, page 47.

Mr. Norman DAVIS (U.S.A.), Item (1) of Annex C.

The UNITED STATES MEMBERS, in addition to the above, certain principles (the latter part of Annex C).

M. DI NOLA (Italy), viz.:

"The Conference considers that the general most-favoured-nation clause, as regards Customs duties, is an essential condition of free international competition and the development of international trade, but that it would be incompatible with the principle of equitable treatment of commerce that a country should be able to claim the benefits of the clause if it is not prepared to make concessions to the other contracting country.

"The Conference therefore recommends:

"That, as regards Customs duties, commercial treaties should as far as possible be based on the general most-favoured-nation clause, in order that complete equality of treatment and a fair exchange of mutual concessions may be ensured."

Professor CASSEL (Sweden):

"The practice of increasing tariffs exclusively for negotiation purposes has proved to tend to render negotiations more difficult than they need be, and probably acts as a continual agent for a gradual raising of the whole international level of tariffs.

"This Conference, therefore, recommends that negotiations should be opened on the basis of tariffs which are honestly meant for practical application."

The SWEDISH MEMBERS, viz.:

"The Conference,

"Considering that the general principle of most-favoured-nation treatment is the foundation for the system of commercial treaties especially in regard to Customs matters;

"Considering that the favourable results of the application of the most-favoured-nation principle in Customs matters are neutralised by the fact that the full significance of this principle has never been clearly defined;

"Considering that there is a marked tendency, when applying the most-favoured-nation clause, to enforce so many restrictions and reservations that it is impossible to maintain that the basic idea of the principle is being put into practice;

"Considering that it is in the interest of all countries that the effects of the most-favoured-nation clause with respect to Customs treatment should be clearly defined and that the tendency to weaken this principle should be opposed:

"Resolves:

"That the Council of the League of Nations should be asked to undertake, through its competent services, an investigation of the means of arriving at a clear definition of the effects of the most-favoured-nation clause in regard to Customs matters, with a view to preparing an international draft convention concerning the interpretation and application of this principle;

"Recommends:

"That the attention of the respective Governments should be drawn to the fact that the Conference considers the framing of such a Convention to be one of the most important means of safeguarding the principle of the complete freedom of commerce;

"And considers it desirable that measures taken to apply this clause more strictly should

be actively supported by the respective Governments. ”

M. Riedl (Austria) (see page 49, proposing concerted action (joint and parallel negotiations, accompanied by publicity, in place of the old system of bilateral negotiations), and most-favoured-nation treatment with long-term undertakings (after the assurance of a moderated tariff regime).

M. Di Nola (Italy), Chairman, outlined the contents of the documents already submitted.

M. Serruys (France) spoke on the differences between the various tariff systems :

(a) The Anglo-Saxon system of a general tariff unchanged by negotiation, and identical for the products of all countries ;

(b) The autonomous tariff reducible by negotiation, resulting in conventional rates, and according the most-favoured-nation treatment ;

(c) The double tariff (maximum-minimum), with or without intermediate rates and also according most-favoured-nation treatment.

System (a), he said, was the point of departure and systems (b) and (c) might be termed the point of arrival.

The drawbacks of the various systems were known. The Anglo-Saxon single-tariff system, while it precluded the possibility, for the country employing it, of obtaining reciprocal favours, left that country free to raise its tariff. The “ general ” rates of the “ reducible autonomous ” or bargaining tariff were now being increased unduly, and imposed without notice and before negotiation. The “ minimum ” rates of the double-tariff system were either too high or too low — absolutely, or in relation to the maximum — or were accompanied by discriminatory intermediate rates.

Most-favoured-nation treatment, said M. Serruys, meant different things in different tariffs. In some countries it was a negative concession ; for instance, in the United States it meant “ no discrimination ” ; consequently, the countries to whom it was granted had no guarantee as to whether or when the rates of duty might be changed. On the other hand, most-favoured-nation treatment could be a positive concession, e.g., when it was accompanied by consolidated rights, as in the tariff treaties of Czechoslovakia and Germany containing “ consolidated ” rates. This, he said, was the reason for the necessity of unification of contractual methods. The world already had reciprocity *de jure* ; what was needed was reciprocity *de facto*. He wanted to see a standard form of treaty.

M. Serruys remarked that Dr. Trendelenburg objected to the last clause of his recommendation in which he (M. Serruys) recommended as an alternative : “ failing unification [of the various contractual systems], then the creation of equivalent guarantees ”. This had been put in as an alternative in order to obtain some sort of guarantee of equivalence despite the disparity in tariff systems.

M. Wijkman (Sweden) said he was glad to see that Mr. Layton's views were in agreement with those of Sweden. More was necessary than simply the formulation of a general recommendation. Some constructive work should be done. A formal decision should be taken that the League of Nations should be asked to investigate, by means of its competent organisations, whereby a principle might be established. Then it would be impossible for a nation to grant most-favoured-nation treatment *de jure* and afterwards grant

nothing in effect, *i.e.*, to shelter behind the present practices, as was done because the most-favoured-nation clause was not clearly defined by a convention.

M. Schüller (Austria) said that, in practice, loyal application of the most-favoured-nation clause was the rule and not the exception

M. Brunet (Belgium), expert invited by the President of the Conference, said that he accepted M. Di Nola's proposal plus an addition as regarded tariffs, to the effect that commercial treaties should be for as long a period as possible, as this tended to stabilisation of duties, and that, as regarded the most-favoured-nation clause, the contracting States should judge how far it should be accompanied by guarantees.

Mr. Norman Davis (U.S.A.) made a provisional proposal to the effect that commercial treaties and the treatment of commerce should be based on the unconditional most-favoured-nation clause, in order to ensure complete equality of treatment ; and that the contracting States must judge in each case whether this fundamental principle should be accompanied by an exchange of guarantees or concessions ; but all concessions granted shall be generalised without compensation.

M. Di Nola (Italy), Chairman, in summarising the discussion, asked if it was to be decided whether or not the most-favoured-nation clause should be applied to *tariffs only* or also to railway rates or to quotas (contingents). If the “ contingents ” clause was included in most-favoured-nation treatment, the consequence would be that automatically those contingents would be granted to all other countries.

Sir Hubert Llewellyn Smith thought that the Conference could say that these principles should be applied “ in future commercial relations ”.

M. Serruys (France) said there were two kinds of countries which, in granting most-favoured-nation treatment, granted in effect nothings (a) free-trade countries ; (b) high-tariff countries that refused to lower their tariffs and which therefore said, in effect, that they treated other countries equally, but equally badly.

He said that his proposal was to give to the League of Nations the task of studying not only the most-favoured-nation clause but also *contractual methods*.

After a little further discussion, it was decided to entrust the work of preparing draft resolutions to the Second Drafting Sub-Committee, with the collaboration of Mr. Norman Davis (Rapporteur).

Professor Cassel (Sweden), who, owing to illness, arrived at the close of the discussion, said that he understood that he could take it for granted that the principles of application of the most-favoured-nation clause would be clearly defined when the recommendation went forward to the League of Nations.

* * *

The Second Drafting Sub-Committee, at its fourth meeting, proceeded to draft the resolutions on the basis of the texts provisionally accepted (as a basis of discussion) by the Drafting Committee at its second meeting, *viz.*, those of :

M. SERRUYS (France) : the recommendation, plus the *new* preamble prepared in the meantime ;

The Swedish Members :

M. DI NOLA (Italy), embodying interim changes in the preamble or “ consideration ”, with a proposed amendment thereto by Mr. Norman Davis and M. Serruys jointly.

This last document — the formula Di Nola, provisionally amended — read as follows :

"The Conference considers that the unconditional most-favoured-nation clause, as regards Customs duties, is an essential condition of free international competition and the development of international trade, but that each contracting party must judge in what cases and how far that fundamental clause should be accompanied by (or subordinated to) the exchange of direct tariff guarantees.

"The Conference therefore recommends :

"That, as regards Customs duties, commercial treaties should (as far as possible) be based on the unconditional most-favoured-nation clause in order that complete equality of treatment and a fair exchange of mutual concessions may be ensured."

This document differed from M. Di Nola's original proposal in that :

(a) The latter part of the "consideration", viz., "but that. . . guarantees", had replaced M. Di Nola's original "but that it would be incompatible with the principle of equitable treatment of commerce that a country should be able to claim the benefits of the clause if it is not prepared to make concessions to the other contracting country";

(b) The expression "unconditional most-favoured-nation clause" had been substituted for M. Di Nola's "general most-favoured-nation clause", as being less liable to misinterpretation.

The amendment proposed therein (*i.e.*, in the formula Di Nola, provisionally amended) by Mr. Norman Davis and M. Serruys jointly, as the result of a compromise, consisted of: (a) the omission of the italicised words; (b) the omission of the last clause in the recommendation, viz., "in order that complete equality of treatment and a fair exchange of mutual concessions may be ensured"; and (c) the omission of the last clause in the "consideration", viz., "should be accompanied by (or subordinated to) the exchange of direct tariff guarantees", and the substitution therefore of the following: "should be embodied in its commercial treaties". Consequently, the joint proposal of M. Serruys and Mr. Norman Davis, read as follows :

"The Conference considers that the unconditional most-favoured-nation clause as regards Customs duties is an essential condition of free international competition and the development of international trade, but that each contracting party must judge in what cases and how far that fundamental clause should be embodied in its commercial treaties.

"The Conference therefore recommends :

"That, as regards Customs duties, commercial treaties should be based on the unconditional most-favoured-nation clause."

Another formula, prepared by Sir Hubert Llewellyn Smith the previous day, was submitted and adopted unanimously. It now appears, with a slight drafting amendment, as Resolutions (1) and (2) of the Final Report. As adopted, it read :

"The Conference considers that the mutual grant of unconditional most-favoured-nation treatment as regards Customs duties and conditions of trading is an essential condition of the

free and healthy development of commerce between States, and that it is highly desirable, in the interest of stability and security for trade, that this treatment should be guaranteed for a sufficient period by means of commercial treaties.

"While recognising that each State must judge in what cases and to what extent this fundamental guarantee should be embodied in any particular treaty, the Conference strongly recommends that the scope and form of the most-favoured-nation clause should be of the widest and most liberal character and that it should not be weakened or narrowed by conditions either expressed or by interpretation."

The new preamble of M. Serruys (*ex* Annex F), was adopted

M. Serruys' recommendation to the effect that the League should undertake enquiries, etc., so as to propose the measures best calculated to secure "either the unification of the various contractual systems, or, failing unification, the creation of equivalent guarantees", was, after some discussion and amendment, adopted (substantially in the form in which it now appears as the first part of Resolution (3) in the Final Report — as Resolution (2), reading: ". . . . measures best calculated to secure either an identical tariff system in the various European countries or at least a common basis for commercial treaties".

In the same recommendation, the specific reference by M. Serruys: ". . . . with due regard to the unification of nomenclature and the reasonableness of tariff rates. . . .", was replaced by the general reference: ". . . . in connection with the enquiry provided for in the preceding recommendations", now appears in the resolution in the Final Report.

A proposal to add to the same resolution a clause to the effect that States should abstain from introducing *tarifs de combat*, and from applying the duties of such tariffs before negotiation, was withdrawn, as the question could be dealt with in a more appropriate place, viz., under "Tariff Levels" (*cf.* Recommendation (3) thereof in the Final Report, Volume I, the history of which, from its original draft by M. Serruys, is dealt with in the record of "Tariff Levels", third and fourth meetings of the Second Drafting Sub-Committee).

It was decided not to repeat, in the resolutions on "Commercial Treaties", the recommendation of M. Brunet already adopted by the Drafting Committee, at its third meeting, as Recommendation (4) of "Stability of Customs Tariffs" (now appearing in the Final Report), namely, "that States should conclude their commercial treaties for as long a period as possible and should follow, in this regard, the policy practised by a large number of countries before the war".

Consequently, the draft resolutions as adopted by the Second Drafting Sub-Committee read as follows :

"The war destroyed the system of commercial treaties by which easy and fruitful international relations were ensured.

"The post-war system was based in the first instance on the Peace Treaties or on bilateral treaties concluded for very short periods.

"Moreover, the collapse of certain currencies, the differences in conditions of production and the disorganisation of prices led various countries to abandon the principle of the most-favoured-nation clause, or to impose too many restrictions or conditions upon its application.

"Now, with the increasing stability of currencies and the accelerated movement towards normal economic conditions, all nations feel a growing desire for stability and a greater repugnance for any kind of discrimination.

"A decisive step on the road to world reconstruction would undoubtedly have been taken if the system of long-term treaties securing equality of treatment were restored.

"On the other hand, it is undeniable that the conclusion of such treaties is made difficult both by unduly high tariffs and by the variety of contractual methods. There is, moreover, an interdependence between tariffs and contractual methods, so that unduly high tariffs react on the orientation of contractual methods, and the latter in turn cause tariffs to be raised even higher.

"Among these methods, those based merely upon the negative idea of equal commercial conditions, that is to say, upon a formal equality of treatment which precludes any special favour on the part of the State granting that treatment, and which reserves to the State full power to lighten up its tariff system during the period of application, have proved too one-sided.

"Large countries adopting this method have been led, by the freedom it grants them, to take Customs measures of such a kind that the balance of advantages and concessions which existed at the time of the conclusion of the treaties was disturbed to a degree which pressed extremely heavily on the other party.

"Treaties based upon the system of the autonomous tariff allowing of conventional reductions have suffered by the excessive raising of that tariff and by the widening of the margin for bargaining which the contracting States thus claimed to reserve for themselves, and especially by the previous putting into force of *tarifs de combat*, which, before the war, were declared to be means created for purposes of negotiation and which were only put into force when, the negotiations having been successful, the tariffs were by that very fact modified.

"Finally, the treaties concluded by States which employ the double-tariff system had the two-fold disadvantage of confronting the contracting parties with a minimum tariff, which in principle was irreducible and ill adapted to their needs, and the advantage of which therefore frequently seemed illusory in spite of its reductions on the general tariff, while it was accompanied by a restriction of the most-favoured nation clause and the establishment of intermediate duties, which in some cases resulted in injurious discrimination.

"The drawbacks inherent in each of these systems were greatly aggravated by the fact that it was difficult to reconcile them one with another, and the disparity between the contractual systems sometimes had more unfavourable results than those which were due to the imperfections of the system itself.

"The Conference regards these facts as necessitating immediate action by Governments with a view to concluding treaties as comprehensive and permanent as possible, and in order to improve and standardise the contractual methods themselves.

"The Conference accordingly considers:

"(1) That the mutual grant of unconditional most-favoured-nation treatment as regards customs duties and conditions of trading is an essential condition of the free and healthy development of commerce between States, and that it is highly desirable, in the interest of

stability and security for trade, that this treatment should be guaranteed for a sufficient period by means of commercial treaties.

"While recognising that each State must judge in what cases and to what extent this fundamental guarantee should be embodied in any particular treaty, the Conference strongly recommends that the scope and form of the most-favoured-nation clause should be of the widest and most liberal character and that it should not be weakened or narrowed by conditions either expressed or by interpretation.

"(2) That the Council of the League of Nations should entrust the Economic Committee to undertake, in connection with the enquiry provided for in the preceding paragraphs, all the necessary discussions, consultations and enquiries to enable it to propose the measures best calculated to secure either an identical tariff system in the various European countries or at least a common basis for commercial treaties."

* * *

These resolutions were discussed at the fifth (and last) meeting of the Drafting Committee,

In the introductory part of the preamble, it was decided to delete a considerable portion, viz., the last half of the descriptive part — dealing with tariff systems (negative most-favoured-nation treatment, autonomous tariffs reducible by negotiation, double tariffs, and the drawbacks of each). (The paragraphs deleted were the seventh: "Among these methods . . .", to the eleventh: ". . . imperfections of the system itself", both inclusive, of M. Serruys' new preamble, Annex F).

Dr. Trendelenburg (Germany) thought the deleted paragraphs should be retained, as they demonstrated the difficulties of negotiations under the three systems, but the Chairman (M. Di Nola) considered that the passage was too long and too technical.

The first and second paragraphs of the preamble were adopted without change, substantially in the form in which they now appear in the Final Report as the last sentence of the first paragraph and the second paragraph.

The two opening sentences of the present first paragraph, regarding the necessity for long-term treaties guaranteeing fair and equal treatment, were added at a later stage — in drafting in the Commerce Co-ordination Committee — on the proposal of Sir Hubert Llewellyn Smith.

In the third paragraph of the preamble, regarding the causes — collapse of currencies, etc. — which had led countries to abandon the most-favoured-nation clause or to impose restrictions and conditions upon its application, Dr. Trendelenburg (Germany) was of the opinion that something should be said — both here and in the resolutions — in connection with quotas (or contingents). Sub-Committee No. 1 of Commerce had, he said, dealt with the question of general prohibitions and restrictions lightened by means of treaties providing for contingents. His proposal dealt, he said, not with the granting of quotas but with tariff concessions limited to quotas. He considered that the most-favoured-nation clause should not be restricted in application by limiting, in the tariff concessions it granted, such concessions to quotas (eg., when the conventional rate was granted only up to so many tons per annum, the excess having to pay at the general rate).

A clause was added to the third paragraph, on the basis of Dr. Trendelenburg's proposal as textually modified by M. Serruys, and now appears in the Final Report: ". . . or to limit its effects to categories of goods or to quotas".

M. Trendelenburg's proposal to add a similar clause (the italicised words below) at the end of Resolution (1) (now Resolution (2) of the Final Report), to the effect that the most-favoured-nation clause "should not be weakened or narrowed by conditions either expressed or by interpretation, or by means of contingents or Customs quotas", was withdrawn as being unnecessary, this specific limitation being already covered by the wording of the text as it stood.

At a later stage — in drafting — the last phrase: "by conditions either expressed or by interpretation", was clarified to the present reading: "either by express provisions or by interpretation".

In the sixth paragraph of the preamble (*i.e.*, the present seventh — the present sixth having been inserted at a later stage), the original text of M. Serruys was replaced by another — substantially that of Mr. Norman Davis — which now appears in the Final Report. The substantial differences in the texts are:

(a) The conclusion of long-term treaties securing equality of treatment is made difficult by "the variety of conceptions of the bases of such treaties" (originally: "both by unduly high tariffs and by the variety of contractual methods");

(b) As regards the reaction of unduly high tariffs on treaty-making methods, and of the latter in causing the tariffs to be raised even higher, the present statement, that "some countries, moreover, have considered that tariffs and contractual methods are interdependent, so that. . .", replaces the original: "there is, moreover, an interdependence between tariffs and contractual methods, so that. . .".

On the question as to whether Resolution (2) (the present (3) of the Final Report) — the enquiry by the League regarding an identical tariff system — should remain under the subject "Commercial Treaties" or be transferred to "Tariff Levels", it was decided to retain it under "Commercial Treaties".

In the same resolution a proposed amendment by the Swedish members was discussed, and finally adopted, after the various changes indicated below had been made. The proposal was that, in connection with the enquiries, etc., to be undertaken by the League to enable it to propose measures to secure identical tariff systems, etc., there should be added: ". . . as well as the establishment, if possible by international agreement, of clearly defined and uniform principles as to the interpretation of the most-favoured-nation clause in regard to Customs treaties".

Sir Hubert Llewellyn Smith thought the reference to an international agreement should be deleted. The reference was deleted.

M. Dvořáček (Czechoslovakia) supported the Swedish proposals, but with the addition of a clause to the effect that the principles to be established should also include the scope of the most-favoured-nation clause in regard to certain exceptions: (a) frontier traffic; (b) regional clauses, *e.g.*, the Baltic and Iberian clauses. The Finnish, Estonian and Latvian members also were, he said, of the opinion that local and regional exceptions should be taken into account.

Count de Moltke (Denmark) said the Norwegian, Finnish and Danish members likewise held the same views, that local and regional exceptions should be permitted in the general application of the

most-favoured-nation clause. It was of great importance to the Northern countries.

The question of local and regional exceptions was held over, it being generally agreed that provision should be made at a later stage for the insertion of a clause in the resolutions to meet the case.

This question was raised at a later stage — in the fifth meeting of the full Sub-Committee (proposals of the Soviet Members and M. Ramsay (Finland)); see page 81. Finally, in the Commerce Co-ordination Committee, the clause at present appearing as the sixth paragraph of the preamble was adopted, to the effect that "this [*i.e.*, the desirability of giving the widest and most unconditional interpretation to the most-favoured-nation clause] is not inconsistent with the insertion in any particularly treaty of special provisions to meet local needs, so long as such provisions are clearly expressed and do not injure the interests of other States".

It was also decided that the principles to be established in connection with the most-favoured-nation clause were those of its "interpretation and scope in regard to Customs duties and other charges" instead of ("Customs treaties", as in the proposal).

Consequently, the Swedish amendment was adopted, in the following form, *i.e.*, in the form in which it now appears as the latter part of Resolution (3) of the Final Report, *viz.*, to the effect that the measures to be proposed by the League of Nations, after enquiry, etc., are to secure identical tariff systems etc., ". . . as well as the establishment, for all countries, of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to Customs duties and other charges". The words italicised above, "for all countries", were, in point of fact, added at a later stage, namely, in the Commerce Co-ordination Committee. As explained by Sir Hubert Llewellyn Smith, in reply to M. Molitor, at the fifth meeting of the full Sub-Committee (see record thereof below), their omission was an error in drafting, due to the fact that, in inserting the Swedish amendment, it had been overlooked that the substantive resolution (regarding identical tariff systems) was qualified by the phrase "in the various European countries".

A proposal by M. Dvořáček (Czechoslovakia) was adopted (now appearing substantially as Resolution (4) in the Final Report) to the effect that negotiations now pending or in the future should not in any way be retarded by the fact that enquiries, etc., may be taking place as contemplated in the present recommendations. The question of the place for this resolution — whether under "Commercial Treaties" or under "Tariff Levels" — was decided later, in the Commerce Co-ordination Committee. Pending decision, it was excluded from both.

In other respects, the draft resolutions as prepared by the Second Drafting Sub-Committee were adopted, without substantial change, by the Drafting Committee.

On the termination of the work of the Drafting Committee, a vote of thanks was accorded the Chairman (M. Di Nola) on the proposal of M. Serruys (France).

M. Di Nola replied.

* * *

At the fifth (and last) meeting of the full Sub-Committee, the draft resolutions as submitted by the Drafting Committee were discussed.

The following amendment proposed by the Soviet members was introduced by M. Khinchuk (U.S.S.R.):

"Before paragraph (2), add after the words (page 79) 'or by interpretation':

"Recognising certain exceptions of the above principle, such as the application to other countries of special facilities and position afforded in frontier trade, to countries which form a Customs union and to countries with a contiguous frontier.

"In view of the fact that the Union of Socialist Soviet Republics is not a Member of the League of Nations, the Soviet Union cannot join in the invitation to the League or its organs to organise enquiries and settle certain principles with regard to commercial treaties."

M. Khinchuk said that, in the resolution as it stood, most-favoured-nation treatment was too widely applied.

M. Di Nola (Italy) pointed out that the spirit of the resolution was not to limit the most-favoured-nation clause in any way. As regarded the regional and other exceptions referred to by the Soviet member, M. Di Nola said he could assure him that the Economic Committee would examine the question in all its aspects.

M. Kaufmann (U.S.S.R.), having outlined the reasons for the amendments, Sir Hubert Llewellyn Smith said that such exceptions to the unconditional form of the most-favoured-nation clause must be made by express enactment and not by interfering with the most-favoured-nation principle, in its widest application. He thought the amendment should be withdrawn.

M. Khinchuk (U.S.S.R.), in reply, stated that, after what had been said and if these principles would be taken into consideration, he could withdraw the amendment.

M. Colijn (Netherlands), Chairman, thanked the Soviet members for withdrawing the proposal.

M. Marino Perez (Cuba) proposed that the following paragraph should be inserted after the second paragraph of Resolution (1) (the present Resolution (2)):

"However, for certain countries, the granting of unconditional most-favoured-nation treatment by another State may not in practice offer any real or effective advantage and therefore be lacking in the essential element of reciprocity and equity. It is consequently desirable, in such cases, that, in addition to the stipulations granting unconditional most-favoured-nation treatment, mutual concessions also serve as factors or bases for the conclusions of commercial treaties, such concessions to be extended by the contracting parties to other most-favoured-nation countries."

M. Marino Perez was of opinion that most-favoured-nation treatment might not, in practice, guarantee equitable reciprocity.

On the announcement by the Chairman that this statement would be taken into consideration, M. Marino Perez withdrew the proposal.

M. Molitor (Persia) proposed an amendment in Resolution (2) (now Resolution (3)), in which he proposed to delete the reference to European countries.

Sir Hubert Llewellyn Smith explained that the Persian amendment dealt with an error in drafting, viz., as regarded the work of the Economic Committee in connection with the proposed identical

tariff system " of the various European countries " and, by implication in the following clause, that the scope of the work on the most-favoured-nation clause would be confined to Europe. There was no intention to limit it to Europe, and the matter would be adjusted in the Commerce co-ordination Committee (see the record of the fifth meeting of the Drafting Committee above).

The Chairman (M. Colijn) announced that M. Molitor's proposal would be referred to the Commerce Co-ordination Committee.

M. Ramsay (Finland) proposed an amendment referring to local exceptions to the most-favoured-nation clause.

He proposed, at the end of Resolution (2) (the present Resolution (3)), in connection with the measures to secure the establishment of the principles as to the interpretation and scope of the most-favoured-nation clause, to add the words " while observing the general and local exceptions, the existence of which in Europe must be recognised."

He said it had been agreed that local exceptions should be taken into consideration, for example, the Baltic Clause.

M. Serruys (France) agreed that the views of the Russian, Finnish and Persian members on local and regional exceptions were right and proper. These exceptions, he said, were quite legitimate. The Commerce Co-ordination Committee must be asked to add some clause taking them into consideration.

On this understanding, M. Ramsay withdrew his proposal.

The draft resolutions on "Commercial Treaties", as submitted by the Drafting Committee, were adopted by the full Sub-Committee without amendment. The draft resolutions so adopted were submitted to the Commerce Co-ordination Committee.

On the termination of the work of the full Sub-Committee a vote of thanks was accorded the Drafting Committee, on the proposal of the Chairman (M. Colijn).

M. Di Nola, Chairman of the Drafting Committee, replied.

* * *

(Note. — The Draft Resolutions on "Commercial Treaties", as submitted to the Commerce Co-ordination Committee, passed through all subsequent stages and became embodied in the Final Report of the Conference (see Volume I) with no substantial change, except for:

(a) The insertion of the sixth paragraph of the preamble, regarding the local exceptions to the most-favoured-nation clause. (Added in the Commerce Co-ordination Committee. Already mentioned above in the record of the fifth meeting of the Drafting Committee.)

(b) The insertion, in the present Resolution (3), of the words "for all countries" — the drafting error referred to by M. Molitor. (Added in the Commerce Co-ordination Committee. Already mentioned above, in the record of the fifth meetings of the Drafting Committee and of the full Sub-Committee.)

(c) The insertion (or, rather, the decision as to the final place) of M. Dvořák's recommendation (present Resolution (4)), to the effect, that negotiations pending should not be retarded by action arising from the Conference's recommendations. (Decided in the Commerce Co-ordination Committee. Already mentioned

above in the record of the fifth meeting of the Drafting Committee.)

(d) The addition of Resolution (5) and its preamble — the Loucheur—Llewellyn-Smith proposals — regarding arbitral and judicial procedure and the enlargement of the Statute of the Permanent Court of International Justice. (Added in the plenary Commerce Committee. Mentioned in the records of the Commerce Co-ordination Committee and of the third meeting of the plenary Commerce Committee.)

14. VARIOUS.

There were various matters which arose from time to time, either within the scope of the agenda of Sub-Committee No. 2, or within or without the scope of the Conference as a whole and not directly connected with the ten main subjects upon which resolutions were made.

Repercussion upon International Commerce of Reduced Purchasing Power (Item 4 of the original agenda of the Conference).

In accordance with the decision in the plenary Commerce Committee at its first meeting, this item was not confided to any particular Sub-Committee. It arose in Sub-Committee No. 2, as follows :

(a) Mlle. van Dorp referred to it at the first meeting of the full Sub-Committee and remarked that she noticed with pleasure it was on the agenda of the Conference. Commerce, she said, exists for purchasing power ; purchasing power does not exist for commerce.

(b) M. Serruys (France) referred to " increased purchasing power of the consumer " in his Item (5) of Tariff Levels and at the first meeting of the Drafting Committee (see record thereof in " Tariff Levels ", above, p. 62). The point now appears in the last paragraph of the Recommendations on Tariff Levels in the Final Report ;

(c) Mr. Layton (British Empire) referred to consumer's costs in his " Objectives " in " Tariff Levels " (Annex D), and to Item 4 of the agenda, at the fourth meeting of the Drafting Committee, in discussion on the present Recommendation (4) (cf. record thereof in " Tariff Levels ", above, page 68).

Agriculture.

The insertion of the paragraph in the resolutions on " Tariff Levels " (last paragraph of " Discussion of Commercial Policy " in the Final Report, in accordance with the proposal of Baron Kornfeld (Hungary), has already been recorded, above, page 70, in the record of the fifth meeting of the full Sub-Committee.

At the second meeting of the full Sub-Committee Count Keyserlingk (Germany) regretted that little reference had been made in the discussions to the needs of agriculture. The prosperity of trade and industry depended to a large extent on agriculture ; and a just equilibrium, as in Germany, must be found between the needs of agriculturists and industrialists. It would be wrong, he said, to say that the German agriculturists are in favour of protectionism. It would increase their costs of production.

Dumping.

This subject was on the agenda of Sub-Committee No. 3.

Mr. Layton (British Empire) at the second meeting of the full Sub-Committee, in referring to M. Serruys' items (3) and (4) of section " Tariff Levels " (page 62), mentioned that dumping was not always intentional but was to a large extent an incident accompanying the tariff system. Its prevention was often impracticable. This, he said, must not be taken to mean that he approved of dumping : far from it. It was pointed out at a later stage that the two items referred to tariff dumping. The items were referred to Sub-Committee No. 3.

Greek Proposal on Transit via the Free Zone of Salonika.

M. Papatsoni (Greece) presented to the Chairman of the Commerce Committee a proposal regarding an Agreement between the Baltic States, the Central and Eastern European States and the Balkan States on Transit via the Free Zone of Salonika. In agreement with the President of the Conference, the Chairman of the Commerce Committee transmitted this proposal to the Drafting Committee of Sub-Committee No. 2, which, however, after discussion at its second meeting, did not find it possible to deal with the question, having regard to the fact that the proposal was outside the scope of the Conference.

When the communication was read, M. Brunet expressed the opinion that it might be referred to Sub-Committee No. 3 (Transit).

The Chairman (M. Di Nola) considered that, because it raised not only transit but political questions, it was therefore outside the scope of the Conference, and ruled accordingly.

Population.

This subject was outside the scope of the Conference. It was touched on in connection with its bearing on tariff levels by M. Di Nola (Italy) in his two proposals under the sub-section " Causes " (last clause of the second paragraph, and penultimate paragraph, of the Final Report) (see records of : (a) the first and second, and (b) the third and fourth meetings of the Second Drafting Sub-Committee, respectively).

Again, in the fifth meeting of the full Sub-Committee, M. Di Nola referred to it in connection with an amendment by M. Meyer (Denmark) regarding employment (*vide* record of that meeting, under " Tariff Levels ", above).

It was also referred to by M. Uyeda (Japan) in the first meeting of the full Sub-Committee, where, in stating that the Japanese members would support almost any liberal programme for the betterment of commercial conditions, he said that he was precluded by the agenda from discussing the circumstances making it inconvenient for Japan to become a great emigrating people.

Regional Marks.

This is mentioned in the document of M. Corrêa (Portugal), asking under what conditions regional marks and appellations of origin should be definitely guaranteed (Item (4) of Annex B.)

The subject was not discussed.

Annex A.

EXTRACT FROM THE
FINAL REPORT OF THE TRADE BARRIERS COMMITTEE
OF THE INTERNATIONAL CHAMBER OF COMMERCE.

III. PROHIBITIONS OF IMPORTATION AND EXPORTATION.
(FREE MOVEMENT OF RAW MATERIALS — EXPORT DUTIES.)

Summary — *The Trade Barriers Committee recommends the conclusion at the earliest possible moment of an International Convention for the Abolition of Prohibitions of Importation and Exportation; and urges the free movement of raw materials.*

The Trade Barriers Committee,

After re-stating the policy adopted by the Congresses of the International Chamber of Commerce as far back as 1920 and 1921¹; and

Having examined the draft agreement prepared in 1925 by the Economic Section of the League of Nations as a basis for an international conference in view of the abolition of prohibitions and restrictions on importation and exportation;

Having analysed the reports received from the National Committees;

(a) ABOLITION OF PROHIBITIONS OF IMPORTATION AND EXPORTATION.

Places itself on record:

In favour of the conclusion at the earliest possible moment of an International Convention for the Abolition of Prohibitions of Importation and Exportation on the lines of the draft agreement of the League of Nations.

In case an International Convention for the Abolition of Prohibitions of Importation and Exportation be not arrived at, the Trade Barriers Committee recommends the conclusion of bilateral or plural agreements to this end.

(b) FREE MOVEMENT OF RAW MATERIALS.

Whereas the question of raw materials is a world problem the solution of which must be sought not in the particular interest of any one country but in the general interest of mankind;

Whereas in the case of many raw materials the supply will be less and less able to meet the demand;

¹ Paris Congress (1920): "That the International Chamber of Commerce expresses the wish that import and export embargoes should gradually be revoked as soon as the internal conditions of each country will permit; that in any and every case, such embargoes should not apply to goods about which proof can be furnished that such goods were shipped or forwarded prior to the date on which such restrictions were enacted; that, to provide for goods which could not be shipped prior to such date but concerning which proof can be furnished that regular and lawful contracts had been entered into prior to such date, special licences should be issued, under strict supervision and guarantee; and that the procedure above outlined should be followed in territories under mandatory rules".

London Congress (1921): "Whereas every tax on export of raw materials must necessarily increase the cost of production and thereby hinder economic development and prevent economic restoration; and

"Whereas it is desirable, as far as possible, to put a stop to rivalries between nations in their search for raw materials, to stamp out the cause of economic conflicts which may threaten peace, to do away with the natural inequality arising from the fact that the riches of the world are unequally spread over its surface, and to assure the rapid restoration of the world's commerce;

"This Congress of the International Chamber of Commerce recommends the abolition of such export taxes as Governments have imposed or may impose on the free movement of the raw materials which are included in the list attached hereto.

"In the exceptional case of certain countries being obliged, in order to balance their budget, to maintain provisionally on those materials statistical or revenue duties imposed upon exports, these duties should be applied without any discrimination whatever as regards countries.

"List of raw materials.

"Untanned hides, skins and furs. Wool in bulk or wool skins. Raw horsehair, etc. Silk in cocoon raw silk, floss silk or silk in bulk. Raw materials for fertilisers. Gum in a raw state, indiarubber, guttapercha. Unprepared timber. Raw cork. Raw cotton. Flax, hemp, jute and other vegetable fibres in a raw state. Ores and mineral products. Natural metals. Precious metals (gold, platinum, silver, etc.). Mercury. Filings and waste of metals. Stone and earth employed in construction and different industries, etc. Coal. Mineral oil. Oilseeds and fruits not used as food in their imported state.

"N.B.—As the British Dominions and the Indian Empire are entitled to representation in the International Chamber of Commerce, the British delegates placed on record that they were not in a position to speak for them nor for the Colonies possessing the right of imposing taxes.

"The delegates of other nations made the same reservations as far as concerned other Colonies which enjoy the right of imposing their own taxation."

A further resolution passed at the London Congress was to the effect that:

"While it is recognised that each nation has the right to protect its industries by means of Customs tariffs against the unequal conditions of foreign production and exchange:

"This Congress of the International Chamber of Commerce draws the attention of the various Governments to the importance of making such tariffs moderate, in order to avoid the erection between peoples of barriers which are obstacles to peace and the progress of civilisation."

Whereas, once its national demand has been supplied, every country producing raw materials is in duty bound to place the excess at the disposal of all other nations ;

Whereas obstructions to the free movement of raw materials are barriers to the progress of human industry and calculated to produce international conflicts :

The Trade Barriers Committee is of opinion :

That States should not impose export duties, nor restrict production, nor regulate prices ;

That it would be better to leave any reasonable control that might be necessary to private initiative, but such measures should never, by unduly raising the prices of raw materials, adversely affect the development of the use of such raw materials by industry, and thus interfere with good international relations ;

International ententes for the control of raw materials ought, in keeping with the responsibility assumed, to provide necessary supplies to consumers on terms compatible with the public interest.

IV. CUSTOMS.

Summary : A. *Trade Facilities.* — *The Trade Barriers Committee recommends the conclusion of commercial treaties and Customs conventions and the application of the most-favoured-nation clause.*

B. *Customs Technique.* — *The Trade Barriers Committee sets forth its views on nomenclature of goods and Customs classification, on ad valorem duties, health and sanitary regulations, excessive consular fees, etc.*

A. TRADE FACILITIES.

Whereas excessive Customs duties, the instability and constant increases in Customs tariffs constitute the most serious barriers to international trade ; and that a complete change in the tendencies of existing opinion is necessary ; and

Whereas a realisation of their common economic interests has not yet sufficiently sunk into the conscience of nations, thus retarding the development of productive forces and the improvement of general well-being ;

And that to overcome this difficulty it is necessary to impress constantly upon the minds of the peoples the close community of economic interests which binds them one to another ;

The Trade Barriers Committee recommends :

Co-operation, ever more vigorous and fruitful, between the nations to arrive at increasingly close relations by means of commercial treaties and Customs conventions and the application of the principle of the most-favoured-nation clause, in accordance with the general aims outlined in the report of the Austrian National Committee and in the proposals of the American National Committee which are to be communicated by the International Chamber of Commerce to the Economic Conference at Geneva for its consideration.

B. CUSTOMS TECHNIQUE.

The Trade Barriers Committee, subscribing to the principle that a system of excessive Customs tariffs can only be detrimental to world restoration, and that international division of labour must be taken into account as one of the ruling factors of the commercial and economic policies of the various countries, is of opinion that certain questions not directly connected with Customs tariffs are important, as throwing light upon the influence of Customs duties on national economy and on international relations, and should not be neglected.

In this connection, the American Committee observes :

“ We are in general agreement with the recommendations and proposals of the report as to existing barriers to trade in Europe. It is generally acknowledged that the absence of trade barriers throughout our whole area, nearly as large as Europe itself, renders unnecessary in the United States many of the steps desirable in Europe. Instructed by our own experience, the American Committee feels that substantially similar freedom of commerce and trade in Europe would inevitably result in great benefit to the European peoples. ”

“ Tariffs, whether for revenues or protection, are obviously barriers to trade. To a tariff for reasonable revenue there can be no objection. While each nation properly reserves to itself the right to maintain a policy of protective tariffs and the decision as to the measure of the protection, we nevertheless believe that general recognition of the principle that protective tariffs, instead of being unreasonable and prohibitive, should be limited to the safeguarding of wage scales and living standards would be of real practical value. ”

The Trade Barriers Committee believes that the number and height of Customs tariffs hamper international trade, and that it is essential that Governments should be induced to consider the reduction of Customs dues by means of an extended system of mutual agreements.

1. The Trade Barriers Committee recommends that the example, set by most countries, of making statistical nomenclature agree with tariff classification should be followed.

Further it recommends that customs statistics should be made to accord with the Brussels nomenclature, and that the Convention be ratified as soon as possible by all nations which have not yet done so, taking into consideration, however, the suggestion made by several National Committees that another conference be called to improve the Brussels nomenclature and make Customs classifications give more tangible expression to the essential factors of the economic needs of each country (*e. g.*, make clear their needs of raw material, of semi-manufactured goods, their demand for implements of labour, and their consumption of the most essential finished products).

2. Uniform Customs Classification.

Whereas lack of uniformity in the rules governing the definition and description of goods and their classification in the various tariff schedules is a constant source of uncertainty, error and dispute to exporters; of inexactitude in the reading and comparison of statistics; of difficulties in the negotiation of commercial treaties, and therefore constitutes an undoubted barrier to international exchanges;

Whereas the establishment of common Customs classification is a matter of great difficulty and meets with strong objection from various National Committees; and is held to be difficult of application in practice; and seems likely to lead contracting States to introduce more detailed specifications in their Customs tariffs, and thus aggravate the protectionist character of their tariff policies;

Whereas these objections disappear and these difficulties grow less if the effort is confined to seeking in common possibilities of agreement as to the designation, description and nomenclature of different goods;

Whereas the example set by the International Silk Federation has proved the practicability of associating in this technical work, applied to a given class of goods, competent representatives of industry and commerce and of the Government departments concerned;

Whereas the participation of users — distributors and consumers — provides the best guarantee against excessive Customs technicalities and abuse in specialisation, and leads to clear descriptions and classifications, easy to employ, promoting alike the sale of goods and the interests of both industry and consumers;

Whereas the International Chamber of Commerce does not at present seek to obtain uniform tariff classification, which, despite evident advantages, gives rise to difficulties in practice and the principle of which meets with some objections;

The Trade Barriers Committee recommends :

(a) That the International Chamber endeavour to obtain uniformity of Customs nomenclature by asking for uniform designation and description of each class of goods — the point of departure for this work may be found in the comparison and adjustment of the various general tariff schedules in use in a certain number of countries;

(b) That unification of Customs nomenclature as a natural consequence of the establishment of uniform rules of classification be sought, the adoption of which would also lead to the disappearance of those differences often met with between statistical nomenclatures and Customs classifications;

(c) That to succeed in this task the method of limited agreements dealing with important classes of products or goods be adopted;

(d) That the application of this method be left at first to those industries most powerfully organised internationally, or to industrial associations or associations of users of a given kind of products which have already entered into contact in congresses or international gatherings for the discussion of their common interests;

(e) That these agreements should be participated in not only by Government departments concerned and the manufacturers or producers in question but also by ordinary traders in these goods: merchants, importers and transforming industries;

(f) That if these agreements, the immediate and precise aim of which will be the establishment for each class of goods of a uniform Customs nomenclature and of uniform rules of classification, should lead in certain cases to the drafting of uniform nomenclatures which might come into general use in certain contracting States, it should be clearly specified from the first that acceptance of this nomenclature, hypothetically intended to cover all possible cases and to meet all possible needs of international industry, production and trade, would imply on the part of other contracting States no further obligation than that of not disturbing, by the adoption of new schedules and new specifications, the general lines thus laid down, and that, in case of the creation of new products or of new methods of manufacture, they would have recourse to the same method of international agreement for the designation, description and classification of such new products; that, on the other hand, each country should be free to reduce this classification for its tariff purposes to a few types or classes of goods, on condition that they follow the general nomenclature and general rules of classification arrived at in common :

(g) That, to carry out the work outlined above, the Sub-Committee on Customs be authorised to take such initiatives, under the supervision of the International Chamber of Commerce, as may be necessary to co-ordinate scattered efforts, give an impetus to work on a broad basis, and ensure the success of these technical studies demanding time.

3. The Trade Barriers Committee believes that any tariff classification or increase, equivalent to a discrimination against specific countries, introduced in order to facilitate negotiations and very properly to obtain Customs advantages in certain cases, is incompatible with the Committee's ideal of a general levelling of Customs tariffs.

4. The Trade Barriers Committee.

Recognising that *ad valorem* duties may give rise to certain difficulties of application and that they are capable of being so administered as to facilitate covert discrimination and certain fiscal practices designed to increase indirectly official Customs tariffs ;

Declares that, in so far as specific duties are not open to these objections, they appear, as a matter of principle, to be preferable to *ad valorem* duties ;

But also recognises that *ad valorem* duties may be held to be necessary by certain countries and for certain commodities, and strongly recommends in such cases :

(a) That the *ad valorem* duties be so applied as to make for precision and clearness of rates and the elimination of discrimination and fiscal abuses ;

(b) That any system of investigation of values which appears unavoidably necessary be framed and administered with the greatest regard for the economic and private business interests involved and for the maintenance of commercial good will between Nations, and that Customs enquiries and inspections contrary to these principles be eliminated.

5. The Trade Barriers Committee is unanimously of opinion that it is primarily necessary to introduce simplicity and stability in the classification of goods and in the assessment of duties. It calls attention to the fact that the majority of National Committees are favourable to a single tariff, with duties subject to reduction by negotiation, with the widest possible application of the most-favoured-nation clause. It considers this system as the most favourable to commercial negotiation and to the removal of international trade barriers.

6. The National Committees are unanimous that sudden changes of Customs tariffs ought not to be made, because such changes produce business instability ; only a few National Committees have made reservations in this matter, in view of the instability of their national currency. The Trade Barriers Committee also is of opinion, on principle, that sudden increases of Customs tariffs ought not to be made.

When Customs tariffs are raised, the Trade Barriers Committee is of opinion that all goods already shipped should be admitted under the old tariff.

7. The Trade Barriers Committee unanimously recommends that the Geneva Convention for the Simplification of Customs Formalities should be ratified at the earliest possible moment by States which have hitherto adopted an expectant attitude. It believes this Convention would lessen the drawbacks of Customs formalities ;

In this connection, the Trade Barriers Committee, in agreement with a proposal put forward by the German National Committee, recommends that in international transactions national importers and foreign exporters be required to use only current descriptions on their Customs declarations and not obliged to make exact mention of the corresponding numbers of the tariff schedule.

The Trade Barriers Committee notes that trade in various foodstuffs is hampered by differences in legal provisions concerning the methods applied for their preservation and their use as food (for instance, the trade in dried fruits, a very important and cheap article of diet, is hampered by conflicting legal requirements as regards the use of sulphur).

It is of opinion that it would be possible to submit such matters to international regulation by an extension of the provisions of the Convention for the Simplification of Customs Formalities.

The Trade Barriers Committee also discussed Customs dues levied on gross weight or on net weight, the traffic in samples, certificates of origin, and nationalisation of merchandise. Lack of time precluded the possibility of arriving at definite decisions on all of these points. The Committee has asked the Sub-Committee on Customs to continue the study of these questions, which are of great importance to international business.

8. The attention of the Trade Barriers Committee has been called to the health regulations included in the Customs regulations of certain countries. These health regulations apply to canned fruits, canned meats and canned vegetables, as well as many foodstuffs ; they also apply to certain preparations pertaining to the chemical industry. The Trade Barriers Committee notes that the application of such regulations complicates Customs formalities, delays deliveries and even leads to the rejection of goods and, in consequence, hampers international trade. Moreover, the Trade Barriers Committee questions whether regulations of this kind are not in some cases merely cleverly disguised protection. It records its hope that all such regulations, whether applied to foodstuffs, agricultural or horticultural produce or industrial products, shall become the subject of

well-defined international conventions to remove their objectionable features, and that such regulations shall be established by agreement between the nations so as to prevent their becoming the refuge of covert protection.

9. The Trade Barriers Committee records the fact that most countries whose National Committees have replied levy excise duties, consumption taxes, transformation taxes, turnover taxes, *octroi* duties, etc., as well as statistical duties, which, applied to imported goods, increase the incidence of the Customs duties proper.

It also records the fact that such special duties which were originally imposed as taxes on local products for purely fiscal reasons have been extended to imported goods in a spirit of compensation. So it cannot be alleged that these special taxes and duties have been devised to increase tariff protection. Statistical duties are exclusively applied to imported goods but are so small as to be negligible.

However, certain National Committees point out that such special duties and taxes on imported goods are so applied as to amount to an increase of protection because of the manner in which they are calculated and collected.

Finally, the trade Barriers Committee records certain formal complaints against obstructions to the rapidity and facility of commercial relations by the manner in which these various duties are collected. In this connection, the Committee feels that the application of excise and other special duties should be as limited as possible, so that international trade barriers may be reduced to a minimum. In particular, the application of *octroi* duties to new categories of goods should be scrupulously avoided.

In connection with collection, the Committee proposes that it be recommended to the various States to apply Article 5 of the International Convention on the Simplification of Customs Formalities of November 3rd, 1923. This Article 5 is designed to obtain from Customs officials exact details of the taxes collected on behalf of the State on goods passing through the Customs. But if it is desirable that Customs taxes and special taxes should be collected at the same time and by the same Customs officer, it is dangerous that the equivalent of excise and other special taxation be added to the Customs duties without special designation. The danger of this practice becomes evident when certain countries reducing taxes on production, circulation or consumption of goods within their territory fail to make a corresponding reduction of Customs duties thus calculated. So it is better that special taxes, equivalent to excise duties on national goods, should be known definitely at the moment of importation.¹

10. Excessive consular fees :

(a) Legalisation fees should not exceed a moderate sum to be determined after enquiry, and should not be looked upon as a source of revenue. The calculation of such fees according to the value of the goods is to be condemned, as the application of such a practice is equivalent to the levying of *ad valorem* Customs duties. However, even with the adoption of fixed fees, it is necessary by means of a sliding scale to protect shipments of small value against excessive charges.

(b) In cases where the production of a certificate of origin is still demanded, it should not be necessary to have this document legalised by consular authority in so far as it is furnished by competent authorities whose standing offers sufficient guarantee that their declarations may be taken as the expression of the truth.

(c) It should not be necessary to have invoices legalised by consular authority except in the case of goods subject to *ad valorem* Customs duties, and even in this case legalisation should be waived if the certification of the invoices by competent authorities of their country of origin offers sufficient guarantees that the invoice is in order. However, nothing in the present resolution is to be taken as directed against the giving of information necessary to the establishment of statistics.

(d) It would be well if the various countries were to endeavour to obtain, by reciprocal agreements, exemption from consular fees, the suppression of visas of documents by consulates, and the legalisation of consular documents by the commercial associations and organisations of the countries of origin.

Treatment of News Photographers and Motion-Picture Men.

Whereas the information placed before it shows a complete lack of uniform rules and regulations to permit the passage of news photographers and motion-picture men with their instruments from one country to another, as well as for the transmission of photographic documents and films ;

Whereas this lack of uniform rules and regulations frequently gives rise to apparently arbitrary acts which prevent news photographers and motion-picture men from exercising

¹ The Trade Barriers Committee subscribes to the following recommendation of the British National Committee :

"The Trade Barriers Committee recommends that the possibility should be considered of having only one international Customs staff at each frontier, instead of two national staffs as at present, so as to simplify and reduce the costs of Customs inspection. This might be done either by an international convention or by bilateral agreements."

their calling, and the newspapers or firms for which they work from receiving their photographic documents and films ;

Whereas the calling of the said news photographers and motion-picture men is not the sole issue, but their work is the basis of a large volume of international exchanges : films, photographic documents, illustrated magazines, pamphlets, scientific and other publications etc. ;

Whereas these material considerations are enhanced by the universal need of facilitating not only exchanges of goods but exchanges of ideas ;

The Trade Barriers Committee recommends :

(1) That at the earliest possible moment all Customs administrations should receive from their Governments the necessary instructions to prevent all arbitrary acts in connection with Customs regulations ;

(2) That an international convention should be prepared to regulate and facilitate the passage of frontiers by news photographers and motion-picture men with their instruments — for instance, by the creation of a distinctive emblem similar to that used by touring automobiles ;

(3) That a postal convention be entered into by all countries to permit the rapid transmission of documents, photographic films and plates under a distinctive emblem as above.

Annex B.

PROPOSAL BY M. F. A. CORRÊA (PORTUGAL).

Whereas the stability of trade relations between States depends largely on the breadth of the interpretation given to the most-favoured-nation clause in future treaties of commerce, and on the duration of such treaties ;

Whereas the system of specialisation may prevent the equality of treatment which the above-mentioned clause is intended to secure ;

And whereas it is essential to the export trade of countries where such special conditions of soil and climate prevail as to give their products specific characteristics that regional marks and appellations of origin should be definitely guaranteed ;

I propose, as a corollary to the draft resolutions submitted by M. Serruys, that the following questions be submitted for decision to the Economic Committee of the League of Nations :

1. How broadly should the most-favoured-nation clause be interpreted in future treaties ?
2. What period of validity can normally be fixed for commercial agreements ?
3. Is it possible to exclude from tariffs annexed to treaties all specialisations other than those contained in the general tariff ?
4. Under what conditions should regional marks and appellations of origin be definitely guaranteed ?

Annex C.

**RECOMMENDATIONS FOR RESOLUTIONS ON QUESTIONS
OF COMMERCIAL POLICY.**

SUBMITTED BY THE AMERICAN MEMBERS.

The American members propose that the Economic Conference adopt resolutions with respect to the principles to be adopted by Governments as the basis of their national commercial policies, as follows :

1. Import and export duties or other charges affecting commerce should be levied without discrimination in respect of country of origin or of destination, without regard to the nationality of vessels, and without regard to whether the goods have proceeded directly or by way of other countries. This principle does not preclude : (a) special arrangements in respect to border traffic ; or (b) special arrangements in *exceptional* cases between neighbouring countries.

2. Customs formalities and regulations should be of uniform application.

3. Any prohibitions or restrictions found necessary for sanitary or police purposes should be uniformly and fairly applied, that is to say, without regard to the country of origin or destination, and should not be used as indirect means of commercial protection.

4. Prohibitions or restrictions for commercial advantages should not be imposed; but so long as they may be maintained, exceptions therefrom in the way of contingents, rations or quotas should be allocated to the trade with the several countries in equitable shares, having regard for the normal volume of importations or exportations of the particular class of goods to or from the several countries.

5. Tariffs should not be altered by administrative action without due notice. The practice of ordering changes in duties, restrictions or regulations with little or no notice to the public causes instability and uncertainty in international commerce, which could readily be removed without materially affecting either the revenue or tariff policy of the country concerned. A notice of thirty days is suggested.

6. Custom charges in so far as possible should be consolidated, that is, surcharges and other charges on goods should be combined into a single rate, clearly expressed and ascertainable in advance.

7. Consular fees should be a service charge, reasonable and fixed in amount, rather than an additional source of revenue. Arbitrary or variable consular fees cause unwarrantable uncertainty in trade.

8. Manifest clerical errors in documentation should be shown tolerance, that is, no Customs fines or only nominal fines should be assessed when good faith can be established. When other than nominal penalties are imposed, opportunity should be afforded for suitable appeal within a reasonable time, such as sixty days.

* * *

Having in mind the general agreement upon the desirability of assurance of most-favoured-nation treatment as the fundamental principle of commercial policy, the American members call attention to the following considerations :

(a) The principle of equality of treatment is now almost universally accepted by the nations of the world as the basis for treatment of the commerce of other nations. It has been increasingly adopted by countries whose experience has shown other principles to be unworkable, and has been a means of reducing the numerous discriminations created during and immediately after the war. Approval of equality of treatment by the Economic Conference would almost certainly establish this principle as the generally accepted and uniform basis of the commercial policy of nations.

(b) The principle of equal treatment is simple, readily understood by all, easy to administer, and the most workable principle in practical application.

The principle of equality affords a basis upon which diverse tariff systems may be harmonised. It does not interfere with bargaining by such countries as may desire to bargain, as is shown below.

(c) The principle of equal treatment places international competition on the broadest and soundest basis. It affords traders in each country the assurance that they are on an equal footing with their competitors in other countries. It assures to producers in each country advantages in international trade in those articles which they can produce most economically because of natural resources, specialisation or industrial organisation.

It avoids agreements involving discrimination against particular products of the nations economically best able to produce them. Such agreements, in fact, place a premium on artificial industrial development by protecting poorly organised high-cost production. On the other hand, the adoption of equality of treatment as the basis of commercial policy favours the development of the most efficient production and the most economical supply of the world's needs.

(d) Equality of treatment minimises international friction. Those engaged in foreign commerce desire not only certainty but also to avoid seeing their competitors given a handicap. Commercial discriminations, by depriving producers of the assurance that they can enter the markets of all countries on the same terms as other foreign producers, cause resentment. Those confronted with discrimination naturally appeal to their Government. The resulting negotiations may lead to misunderstandings out of all proportion to the importance of the interests involved, and even to tariff wars. In addition, the commitments made by the Governments in favour of import of products from various countries result in conflicting interpretations of obligations under the terms of their treaties, and contribute materially to international ill will.

(e) Failure to observe equality of treatment results in concessions favouring certain industrial groups and raises domestic questions as to the interests of which group the Government shall seek to foster.

(f) The policy of discriminations facilitates tariff bullying, because it makes it easier for a country enjoying a strong trade position *vis-à-vis* another to force one-sided concessions from a country in a weaker position. It is important to point out that the relation here considered is not one necessarily involving the relation of a great Power to a weaker one. Every country is vulnerable in trade relations with a material proportion of other countries. In matters of this sort, a small country may be in a position economically stronger than a first-class Power.

When one country buys heavily from another but sells little to it, the latter may be bullied into acceptance of a very unwelcome trade agreement forcing it to take, under low tariff rates, products the consumption of which it is contrary to its national policy to encourage. The strong country can ordinarily adopt higher rates in order to injure the commerce of the weak country if such rates may be made discriminatory. If the rates are to be applied to commerce with all countries alike, unjustified pressure of this sort is less easy. The policy of equal treatment discourages combat tariffs, and tends to prevent tariff wars. It discourages barriers to trade not having a direct economic purpose. Equality tends to promote lower tariff levels because it tends to limit the height to which tariffs are initially raised for combat and bargaining purposes.

(g) Nations naturally wish to keep a free hand to adopt such tariffs as they see fit. Their policies will be determined in the light of their fiscal, social and economic needs. Complicated commercial agreements may bind countries to observance of standards which reflect outgrown conditions. The equality-of-treatment standard leaves each country master of its own tariff policy. Any other basis tends to confine it within a network of agreements difficult to adapt to contemporary needs.

(h) Equality of treatment is not inconsistent with the practice of tariff bargaining by States designing their tariffs to allow of that practice. It is well recognised, even where exclusive bargains have been made, that the arrangements are subject to denunciation on relatively brief notice. Also, in practice, such exclusive arrangements are soon generalised, since third Powers, if they are in fact at a disadvantage, usually at once press for the extension to them of like privileges. On the other hand, in many if not most instances, States giving tariff concessions are parties to most-favoured-nation arrangements with the countries that are the chief competitors of the country seeking the favours in question. Therefore, the reduced rates in any event tend to be generalised. For these reasons, the alleged advantage of exclusive arrangements is at best temporary and in the long run illusory.¹ Moreover, stability in rates, which is so highly desirable, is not promoted through the development of a complicated series of exclusive commercial concessions.

(i) The tariff adopted by any State is settled as a matter of domestic policy. Its height in relation to that of another State is not of capital importance in determining the acceptability of the principle of equality of treatment. The levels at which the tariffs of different States stand are not in fact comparable unless due weight is given to varying social, economic and monetary standards which affect national purchasing power; a tariff of 20 per cent, for example, on a given article may be prohibitive if imposed by one country, but of relatively little importance if imposed by another.

An agreement based upon the principle of equality of treatment carries definite advantages to both countries, even though their tariffs be of different levels. Each country is guaranteed the benefit of the lowest rates which the other establishes. The reality of such an advantage is indicated by the increasing number of treaties embodying this principle which have been and are being made by countries of widely varying tariff standards. In this connection, it is to be noted that Germany and Great Britain, two of the great industrial countries of Europe, one protectionist and the other historically an exponent of free trade, have adopted equality of treatment as the basis of their commercial policies.

¹ It may be argued, indeed, that tariff bargaining is open to certain objections: (a) that it often has led to adoption of unduly high rates, which are not reduced if the bargain fails; (b) that it is complicated, arbitrary, uncertain and causes commercial confusion; (c) that it may be a means of forcing one-sided advantages and may lead to international friction; and (d) that successive reductions on various commodities tend to distort the balanced economic structure which the tariff was originally designed to protect. The merits of these points, however, are not material for present purposes. The American members do not at this time put forward any judgment on the merits of a system of bargaining, since they feel that this is a matter on which each nation will insist upon making its own decision in the light of its own economic and legal situation.

Annex D.

**STATEMENT ON TARIFF LEVELS PRESENTED BY MR. LAYTON
(BRITISH EMPIRE).**

I. PRESENT SITUATION.

The evidence before the Conference, which is contained in the documentation or in the statements made by the delegates, shows that the recovery from the effects of the war has been unduly delayed, and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade.

The Conference notes that some of the more extreme forms of obstruction that prevailed immediately after the war have been removed, and that this process has been accompanied by an expansion of world trade.

But tariffs, which are at present one of the main obstacles of trade, are for the most part higher than before the war, and in the last two years have shown a tendency to rise still further.

In Europe, the problem has been complicated by the political readjustments which have changed many frontiers and have broken up the large area within which commerce formerly circulated freely. These changes have increased the number of accepted Customs units from twenty to twenty-seven, and involved the erection of 11,000 kilometres of additional frontier.

The harmful effect of these tariffs upon trade has in many cases been increased through constant changes which have created an element of uncertainty and made it impossible to place long contracts. Hitherto, the nations have failed to deal with this situation by long-term treaties.

II. CAUSES.

This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war, and in particular the currency troubles, which have caused instability of prices and costs of production. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability, and such attempts create additional problems for commerce and are themselves a source of uncertainty. Fortunately, these unstable currency conditions have to a large extent passed away, but the tariff and other measures which have been employed to deal with them have not yet disappeared.

A second reason for the present tariff situation in the world generally and in Europe is the desire of nations to maintain industries in being on a scale which they would not otherwise attain. These industries have grown to their present extent in some degree as a result of expansion during the war, in other cases as a result of the desire of new nations to attain an economic independence commensurate with their new political status. The expansion of productive plant has not been accompanied by corresponding increase in demand for these products where the expansion has taken place. The result has been acute competition, and efforts have been made to reserve at least the home market by means of high duties. This process has resulted in the incomplete utilisation of plant and, in the case of industries created since the war, an undue call upon the world's limited supply of capital.

The artificial increase of plant which is only partly employed has meant, on the one hand, uneconomical and costly production and, on the other, a wasteful use of the world's reduced capital resources. It has thus been one of the causes which has maintained an abnormally high rate of interest in recent years. It should be added that so long as high tariffs are maintained, this uneconomic use of capital continues and creates an increasing number of vested interests which resist a return to a more liberal policy.

These high tariffs have, in many cases, also been imposed, in the first instance at all events, for bargaining purposes with other countries, but these negotiations have in practice not resulted in adequate modifications of other tariffs, with the result that the tariff barriers have been left higher than before.

* * *

The maintenance of these tariffs has been defended on the ground that the revenue they yield is necessary to balance the budget, but the Conference would point out that high tariffs and high yields from Customs duties do not by any means go together. Some of the nations with the largest revenue yield from Customs duties are low-tariff countries, and it must always be borne in mind that, in so far as tariffs have a protective effect in obstructing the movement of goods, they do not yield revenue.

They are also maintained on grounds of national defence. This argument should be of diminishing importance as security is re-established in Europe. But it should also be pointed out that the Disarmament Commission which studied the question showed that hardly any country can hope to make itself self-supporting in regard to war industries, and it is clear that, in regard to small countries, the argument can have very little validity.

III. OBJECTIVES FOR ECONOMIC POLICY.

Speaking broadly, the tariff situation is thus due to the desire of nations, both old and new, to attain a greater degree of economic self-sufficiency. There are, however, very few countries of the world that can hope to increase their general prosperity to any substantial extent by this means. It is too often overlooked that the attempt to stimulate artificially industries which would not otherwise flourish in a country checks the development of those activities for which it is most naturally suited. Nations may determine, for political or other reasons, that it is essential to their safety to develop increased self-sufficiency, but it is appropriate for the Conference to point out that this can only be done at a cost of material prosperity. This cost is borne, so far as the country itself is concerned by consumers who have to pay more for the products of the protected industry and by those engaged in the industries that would otherwise have a larger possibility of export. But a loss is also imposed upon those countries which would otherwise have traded with it.

The Conference is of opinion that the prosperity both of individual nations and of the world in general will be most rapidly and fully attained by a reduction of barriers which will permit an expansion of trade and a development of the world's productive forces on the basis of economic interdependence and exchange.

(This section to be expanded by the points indicated in the memorandum by M. Schuller)¹.

The Conference recognises that the removal of barriers cannot be attained suddenly owing to the dislocation that would be involved, but it is convinced that Governments should immediately prepare plans for removing these obstructions by stages, starting with those duties which have been imposed to counteract the effect of disturbances that are now past. The Conference believes that, if the true results of the present system were understood by public opinion, it would be possible for Governments to commence forthwith this process of demobilising their tariffs.

It is, however, clear that the process will be more rapid if it can be taken as a result of concerted action, and it therefore recommends that the process should be accelerated by two steps :

(a) The immediate negotiation of commercial treaties embodying the most-favoured-nation clause ;

(b) A study by the appropriate organisation of the League of Nations of further measures that can be taken to produce a more general reduction.

This further study should carefully consider the possibility of the various schemes that have been considered by this Conference, such as that for a maximum rate of duty ; and an agreement to reduce progressively by a certain proportion the duty for so many years.

IV. RECOMMENDATIONS.

In view of the harmful effects upon production and trade of the high and constantly changing tariffs which now obtain, since substantial improvement in the economic conditions can only be obtained by increased facilities for international exchange, and, in view of the fact that tariffs are not a matter of purely domestic interest but influence the trade of the world, the Conference recommends :

(1) That States should take steps forthwith to reduce the level of their tariffs, commencing with those rates of duty which were designed to meet temporary dislocations arising out of the war ;

(2) That, as one of the means of obtaining this result, States should proceed to the conclusion of commercial treaties based on the most-favoured-nation clause ; and

(3) That the Council of the League of Nations should authorise the appropriate organ of the League to examine, after taking into consultation representatives of industry, commerce and labour, the possibility of common action for a further progressive and general reduction.

ALTERNATIVE DRAFT FOR ' IV RECOMMENDATIONS '.

In view of the harmful effects upon production and trade of the high and constantly changing tariffs which now obtain ; and since substantial improvement in the economic

¹ See Annex E, p. 93.

conditions can only be obtained by increased facilities for international exchange ; and in view of the fact that tariffs are not a matter of purely domestic interest but influence the trade of the world, the Conference puts on record :

(1) That, in view of the causes which have resulted in the increase of tariffs and in other trade barriers since the war and of the fact that some of these have largely disappeared and others are diminishing, expresses its definite opinion, for the information of all countries, that the time has arrived when the development should be in the opposite direction towards removal and reduction, and that the change is of the greatest importance in the interests of industry, trade and general prosperity of the world.

It recommends :

(2) That, as one of the means of obtaining this result, States should proceed to the conclusion of commercial treaties based on the most-favoured-nation clause; and

(3) That the Economic Organisation of the League should examine, after taking into consultation representatives of industry, commerce and labour and of other appropriate bodies, the possibility of common action for a further progressive and general reduction of tariffs which unduly hamper trade and commerce.

Annex E.

PROPOSAL BY M. SCHULLER (AUSTRIA) ON COMMERCIAL POLICY.

The World Economic Conference recognises :

That tariff barriers have continuously increased since the war, and economic depression in Europe is largely attributable to this increase ;

That financial and monetary crises in the majority of European States and mistakes in commercial policy have tended to favour nationalist barriers ;

That financial reconstruction and currency stabilisation, which lie at the basis of commercial relations, have made great progress.

The World Economic Conference, regarding as its first task the dissipation of current errors and the enlightenment of public opinion, declares :

1. The fundamental mistake of hyper-protectionist policy is the idea that it is more profitable to hinder importation than to develop exportation. The truth is exactly the opposite. If exportation increases, production and the national revenue are proportionally increased. If, on the contrary, importation is decreased in consequence of Customs protection, the higher price of goods reduces consumption. Only a fraction of the imports excluded are replaced by national production. Moreover, consumption is hindered by the raising of duties. There is no doubt that it is more to the interest of every State to increase exports than to reduce imports.

2. If the charge entailed on consumption by an import duty is greater than the extension which it imparts to production, this duty should be considered as essentially harmful to the country by which the duty is imposed.

3. Since the transfer of credits is only possible by the transfer of goods, it is not reasonable to increase import duties in order to counteract the effects of international credits and obligations.

4. Increase in Customs tariffs is neither a remedy for, nor a palliative of the results of currency disorganisation.

5. Export bounties accorded to industries in the form of excessive Customs duties too often have the effect of vitiating the market for products of that industry by allowing the accumulation on the national market of reserves which lead to artificial methods of competition on foreign markets. These methods constitute one of the more dangerous causes of economic conflicts between nations.

The World Economic Conference declares that it is vital for European and world economy that the States,

Recognising the mistakes in the commercial policy of to-day ;

Recognising that this policy is inconsistent with the natural development of world economy and especially with the development on a great scale of the means of communication ; and

Recognising the interdependence of Customs protection in the different countries, Should put an end to the increasing protectionism and inaugurate an orientation towards greater liberty of trade.

The World Economic Conference expresses its conviction that the great and powerful movement of international co-operation — co-operation between the central banks and private banks of the different countries, international agreements between large industries, international relations between workers and agreements in the sphere of social policy, international organisation of railways, navigation, posts and all the means of communication — cannot be held in check by considerations of commercial policy. The League of Nations is the only organisation for co-operation of this kind, and by convening this Conference the League took an important step in that direction.

The World Economic Conference desires to pay a tribute to the League of Nations for the initiative which it has taken and at the same time to express its confidence that it will pursue this path without loss of time and with energy.

Annex F.

**DRAFT RESOLUTION REGARDING COMMERCIAL CONVENTIONS,
SUBMITTED BY M. SERRUYS (FRANCE).**

Original Preamble.

Whereas most-favoured-nation treatment for all their exports is the essential guarantee demanded by all countries concluding commercial treaties ;

And Whereas the principle of equality of treatment is not sufficient to restore peaceful and profitable international relations unless it is so applied as to give the contracting parties fair and genuine reciprocity, and induce them to lower their tariffs and establish a solid basis for international trade ;

And Whereas, though the system of the autonomous tariff reducible by conventional arrangement undoubtedly allows both of the granting of most-favoured-nation treatment and suitable tariff reductions at the request of the other contracting party, it occasionally leads to the setting up of combative tariffs intended for purposes of dangerous bargaining, and hence a constant increase in duties, and occasionally, when applied in its full severity without previous negotiations, gravely interferes with firmly established trade currents ;

And Whereas the double-tariff method, though ensuring the contracting parties, in principle, a moderate scale of tariffs and offering them a distinct advantage over countries not connected by treaty, actually prevents — when the minimum tariff cannot be lowered — any reduction in duties by concerted action, and results, when in addition to the two tariffs there are intermediate duties, in discrimination and frequently in arbitrary treatment ;

And Whereas the difference in treaty systems is one of the most serious obstacles to the conclusion of commercial agreements, which should be of wide range and entered into for long periods : [*Note. — M. Serruys subsequently proposed a new preamble, as follows :*]

The war destroyed the system of commercial treaties by which easy and fruitful international relations were ensured.

The post-war system was based in the first instance on the Peace Treaties or on bilateral treaties concluded for very short periods.

Moreover, the collapse of certain currencies, the differences in conditions of production and the disorganisations of prices led various countries to abandon the principle of the most-favoured-nation clause, or to impose too many restrictions or conditions upon its application.

Now, with the increasing stability of currencies and the accelerated movement towards normal economic conditions, all nations feel a growing desire for stability and a greater repugnance for any kind of discrimination.

A decisive step on the road to world reconstruction would undoubtedly have been taken if the system of long-term treaties securing equality of treatment were restored.

On the other hand, it is undeniable that the conclusion of such treaties is made difficult both by unduly high tariffs and by the variety of contractual methods. There is, moreover, an interdependence between tariffs and contractual methods, so that unduly high tariffs react on the orientation of contractual methods, and the latter in turn cause tariffs to be raised even higher.

Among these methods, those based upon the negative idea of equal commercial conditions, that is to say, upon an equality of treatment which precludes any special favour on the part of the State granting that treatment, and which reserves to the State full power to tighten up its tariff system during the period of application, have proved too one-sided.

Large countries adopting this method have been led, by the freedom it grants them, to take Customs measures of such a kind that the balance of advantages and concessions which existed at the time of the conclusion of the treaties was disturbed to a degree which pressed extremely heavily on the other party.

Treaties based upon the system of the autonomous tariff providing for conventional reductions have suffered by the excessive raising of that tariff and by the widening of the margin for bargaining which the contracting States thus claimed to reserve for themselves, and also by the previous putting into force of combative tariffs, which, before the war, were declared to be means created for purposes of negotiation and which were only put into force when, the negotiations having been successful, the tariffs were by that very fact modified.

Finally, the treaties concluded by States which employ the double-tariff system had the twofold disadvantage of confronting the contracting parties with a minimum tariff, which in principle was irreducible and ill adapted to their needs, and the advantage of which, therefore, frequently seemed illusory in spite of its reductions on the general tariff, while it was accompanied by a restriction of the most-favoured-nation clause and the establishment of intermediate duties which in some cases resulted in injurious discrimination.

The drawbacks inherent in each of these [tariff] systems were greatly aggravated by the fact that it was difficult to reconcile them one with another, and the disparity between the contractual systems sometimes had more unfavourable results than those which were due to the imperfections of the [contractual] system itself.

The Conference regards these facts as necessitating immediate action by Governments with a view to concluding treaties as comprehensive and permanent as possible, and in order to improve and standardise the contractual methods themselves. Accordingly,

The World Economic Conference recommends :

That the Council of the League of Nations should instruct the Economic Committee to undertake all the necessary discussions, consultations and enquiries to enable it to propose, with due regard to the unification of nomenclature and the reasonableness of tariff rates, the measures best calculated to secure either the unification of the various contractual systems or, failing unification, the creation of equivalent guarantees.

[*Note. — This recommendation was submitted with the original preamble.*]

FIRST COMMITTEE (COMMERCE)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 3 (Indirect Methods of protecting National Commerce and Shipping)

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First Committee (Commerce)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 3.
(INDIRECT METHODS OF PROTECTING NATIONAL COMMERCE
AND SHIPPING)

1. INTRODUCTION.

In two meetings on Tuesday, May 10th, 1927, Sub-Committee 3, under the chairmanship of M. RYDBECK (Sweden), held a general discussion regarding three of the questions on its agenda, viz :

- (i) Direct and indirect subsidies ;
- (ii) Dumping and anti-dumping legislation, and
- (iii) Discrimination arising from the conditions of transport.

(See Agenda of the Conference. — Vol. I.) As regards the question, "Fiscal measures discriminating against foreign goods", the Sub-Committee decided to transmit it to Sub-Committee 2, since it was intimately connected with those dealt with in that Sub-Committee.

The Drafting Committee charged with drawing up draft resolutions held three meetings on Wednesday, May 11th, and Thursday, May 12th. The drafts adopted were submitted to a meeting of the Sub-Committee held on Thursday, May 12th, when resolutions were adopted for submission to the plenary Committee on Commerce.

The Composition of Sub-Committee 3 was as follows :

Chairman : M. J. O. E. RYDBECK (Sweden).

AUSTRALIA

The Hon. Sir D. GORDON, M.L.C.
Mr. A. Foulis BELL, C.M.G.

AUSTRIA

Mme. Emmi FREUNDLICH.
Dr. B. KAUTSKY (E).¹

BELGIUM

M. van DEN BROECK.
M. V. SERWY.

BRITISH EMPIRE

Sir A. Norman HILL.

COLOMBIA

M. A. J. RESTREPO.

CUBA

M. L. Marino PEREZ.

CZECHOSLOVAKIA

M. J. DVOŘÁČEK.
M. R. TAYERLE.
Dr. K. STODOLA.
Dr. A. BASCH (E).

DENMARK

M. B. G. OHLIN (E).

ESTONIA

M. J. KUKK.

FINLAND

Dr. H. RAMSAY.

FRANCE

M. LOUCHEUR.
M. JOUHAUX.
M. SERRUYS.
M. A. MAHIEU (E).

GERMANY

M. C. F. VON SIEMENS.
Dr. E. TRENDELENBURG.
M. W. EGGERT.

GREECE

M. J. TOURNAKIS.

INDIA

Sir Campbell W. RHODES, C.B.E.

ITALY

M. A. DI NOLA.
M. E. CARVALE (E).

JAPAN

M. T. SHIDACHI.
M. N. ITO.

NORWAY

M. W. WILLUMSEN.

POLAND

M. J. GIEYSZTOR (E).
M. S. LANDIÉ (E).
M. L. LITWINSKI (E).

¹ The letter E signifies that the persons in question were attached to their delegations as experts.

ROUMANIA

M. B. CATARGI.
M. C. I. KARADJA (E).

SERBS, CROATS AND SLOVENES (KINGDOM OF THE)

M. S. MARODITCH (E).

SWEDEN

M. K. G. CASSEL.

SWITZERLAND

M. W. STUCKI.

TURKEY

His Excellency HASSAN FEY.

UNITED STATES OF AMERICA

Mr. J. KLEIN.

Members appointed by the Council :

Dr. K. KOTZENBERG.

Dr. G. RIEBERG (International Chamber of Commerce).

M. A. POLITIS (Advisory Committee for Communications and Transit) and M. R. HAAS (Communications and Transit Section of the League of Nations) also attended the meetings.

2. DIRECT AND INDIRECT SUBSIDIES.

In the discussion, based on the memorandum C.E.I.42 — Section 1, Direct and Indirect Subsidies, it was acknowledged that the Sub-Committee had to deal with these measures only from the point of view of international trade. It was realised that national considerations may in many cases induce the Governments to have recourse to this method of promoting home industry and agriculture, but the members taking part in the discussion laid stress on the great hindrance caused by subsidies to the free flow of international trade (Sir Norman HILL (British Empire), M. EGGERT (Germany), and M. RYDBECK (Sweden), Chairman), which hindrance might in some cases be as serious as tariffs. The Chairman specially desired to give a clear warning against the practice which had recently sprung up in many of the larger countries of granting subsidies to industry, and hoped the Drafting Committee would not omit to emphasise the great danger of these practices to the small countries.

3. DUMPING AND ANTI-DUMPING LEGISLATION.

The general discussion on dumping and anti-dumping legislation was based on Professor Viner's "Memorandum on Dumping" (C.E.C.P.36(1)), and on Dr. Trendelenburg's "Memorandum on the Legislation of Different States for the Prevention of Dumping, etc." (C.E.I.7), and turned mainly on the meaning of the term "dumping", on the causes, conditions and consequences of dumping and the measures taken or to be taken against dumping.

(a) Definition.

The Chairman proposed the consideration of dumping in its widest sense — that of selling on the

foreign market at prices lower than those obtained on the home market.

M. Litwinski (Poland) thought M. Rydbeck's definition somewhat too vague. A producer who exported at lower prices his surplus output because the home market was already saturated could hardly be accused of dumping.

Dr. Kautsky (Austria) pointed out that there existed another form of dumping : social dumping, especially as a result of longer working hours.

M. Caravale (Italy) thought the definition suggested by M. Rydbeck too wide, since differences of price in different markets were often due to natural competition.

M. Shidachi (Japan) thought that dumping might be defined as selling goods at lower prices on a foreign market with the object of injuring competitors.

M. Tournakis (Greece) drew attention to Professor Viner's definition of dumping on page 1 of document C.E.C.P.36(1) ("Sales for export at lower prices than those charged at the same time and under like circumstances to buyers for the domestic market"). Dumping might be accidental as well as intentional, the object of intentional dumping being to defeat competition.

M. Mahieu (France) thought the Sub-Committee could agree on a definition if M. Rydbeck's definition were supplemented by the statement that dumping was effected by artificial means.

M. Landié (Poland) drew attention to another form of dumping — namely, credit dumping — which consisted in forcing unfairly, by means of credit facilities accorded by countries rich in capital, the sale of an article in a country where capital was lacking.

M. Ohlin (Denmark) did not think that selling at different prices in different markets, if caused by different cost of production, constituted dumping. He could accept Professor Viner's definition if it were supplemented by the words "in such a way as to disturb the normal conditions of trade". It would be for the receiving country to decide whether the normal conditions of trade had been disturbed and it was the conditions of trade in that country to which he was referring. Social dumping did not appear to come within the business of the Conference, since dumping was a question of price policy and not of cost of production.

Sir Norman Hill (British Empire) pointed out that M. Rydbeck's definition of dumping, although the one generally accepted, was not in accordance with the English meaning of the word, which signified getting rid of something one did not want, neither was he satisfied with Professor Viner's definition, even as supplemented by M. Mahieu or Professor Ohlin, as neither of these additions seemed to make the question any clearer.

M. Basch (Czechoslovakia) said he did not understand why the granting of credits at cheap rates should lead to another form of dumping. This would involve every case of under-selling in consequence of diminution in the cost of production being qualified as dumping.

(b) Causes, Conditions and Consequences of Dumping.

M. Litwinski (Poland) thought that the selling of surplus products abroad (even at lower prices than at home, that is to say by dumping) might in many cases be the only means by which the exporter could obtain the purchasing power enabling him to import the materials he required.

M. Ohlin (Denmark) pointed out that dumping caused industrial instability and was thus a serious hindrance to production in smaller countries, which tended to become the rule rather than the exception. It was closely connected with a high tariff in the country from which the dumped goods came. A second cause of dumping was the instability of the exchanges.

M. Dvořáček (Czechoslovakia) stated that the main cause of dumping was the difference in costs of production. It was obvious, however, that special facilities favouring a particular industry in a particular country could not be considered as a cause of dumping.

M. Eggert (Germany) said that, as representative of German labour, he fully endorsed the opinion that dumping was detrimental and reprehensible. It might well be, however, that an industry or country was compelled to resort to dumping for reasons outside its control.

Sir Norman Hill (British Empire) realised fully the serious disadvantages of dumping, but it might at the same time have some advantage in lowering prices.

M. Tournakis (Greece), making a difference between industrial and agricultural dumping, thought that the latter was perhaps more excusable in that it did less harm to international trade, and had, moreover, provided the Mediterranean countries with their only means of escape from the crisis of the past few years.

(c) Measures against Dumping.

The Chairman thought that anti-dumping legislation was only a palliative, and it involved the great disadvantage of removing the incentive to improve production so as to make prices competitive.

Dr. Kautsky (Austria) referred to the measures taken by Austria against social dumping, but thought that measures could only be efficient if based on international agreements.

M. Ohlin (Denmark) pointed out that a resolution passed by the Conference should lay stress on two facts: (i) that the restriction of dumping was desirable as it would involve a lowering of tariffs and consequently less instability; (ii) that the anti-dumping measures now in force should be standardised, and that such measures should not be framed in such a manner as to introduce permanent protection.

M. Dvořáček (Czechoslovakia) supported the measures suggested by Professor Ohlin.

M. Caravale (Italy) thought that measures taken against dumping in the sense as proposed by M. Rydbeck constituted an obstacle to the trade of certain countries.

M. Eggert (Germany) agreed that international action was essential, but he doubted if it would be

possible to eradicate dumping by means of legislation. More far-reaching measures would be required.

Sir Norman Hill (British Empire) pointed out that the acceptance of Professor Ohlin's suggestions would imply an endeavour to control prices. He could not suppose that the Conference would favour any general international control of trading operations such as that suggested. The object of the Conference must be to lay down certain general lines of conduct which would be fair both to producers and consumers at home and abroad, whereas the question of exchange dumping might be left to settle itself.

M. Shidachi (Japan) thought that anti-dumping regulations, while subject to certain abuses, were necessary for the freedom of trading and were not incompatible with the most-favoured-nation clause.

M. Landié (Poland) pointed out that countries with small capital were forced to defend themselves by increasing their tariff rates. Credit dumping could be remedied by international co-operation as regarded credit and the better distribution of available capital.

M. Ohlin (Denmark) modified his former proposals. The Conference should be asked to pass a resolution: (i) recognising that dumping might be injurious to the trade of small countries; (ii) stating that, in order to suppress dumping, it was desirable to have lower tariffs and stable conditions of trade; (iii) admitting that anti-dumping measures might be desirable in certain circumstances, and (iv) recommending that such measure should be so framed (a) as not to introduce permanent protection, and (b) as to cause as little insecurity as possible in trade conditions.

Sir Norman Hill (British Empire) pointed out that, if it were proposed that the Conference should recommend any interference with price levels on the line suggested, it was difficult to imagine that any country with a high tariff would even consider an international regulation governing the sale of goods abroad at prices lower than those of the home market.

4. DISCRIMINATION ARISING FROM THE CONDITIONS OF TRANSPORT.

The Sub-Committee had a general discussion and a particular discussion on the *Danube question*.

(a) General Discussion.

Before entering into the discussion, the Sub-Committee heard the explanations of M. Politis, member of the Advisory Committee on Communications and Transit, and M. Haas, Chief of the Communications and Transit Section of the Secretariat of the League of Nations, regarding the past and present work of the Communications and Transit Organisation, and their statements regarding the ratification of the Conventions of Barcelona and Geneva.

The Chairman pointed out that the Sub-Committee should discuss the question of transport only in relation to its repercussion upon trade.

Sir Norman Hill (British Empire) stated that the task of transport was to facilitate trade, and every improvement in transport conditions meant an improvement in trade. But transport could not create trade and it was subject to the influence of

the general economic situation rather than exercising an influence upon it.

M. Mahieu (France) pointed out that many existing inconveniences would disappear if the different conventions concluded under the auspices of the League were put into application. At the same time, it was impossible for general trade to improve unless the national trade were in a flourishing condition. He hoped, therefore, that any formula which might be adopted would not be too rigid.

(b) *Navigation on the Danube.*

M. Riedberg (International Chamber of Commerce) drew attention to the recommendation submitted by the International Chamber of Commerce regarding navigation on the Danube. Notwithstanding the work done by the League in that region, the fact that the International Chamber had submitted a resolution showed that there were still certain improvements to be made. A recommendation passed by the Conference would no doubt assist in the solution of the problem.

M. Stodola (Czechoslovakia) pointed out that the chief necessities were the simplification of Customs and passport formalities and the improvement and better equipment of ports. Free access to all territorial ports for the flags of all countries, as well as free navigation, could only be granted in return for equivalent compensation.

M. Maroditch (Kingdom of the Serbs, Croats and Slovenes), supported by M. Catargi (Roumania) and M. Stodola (Czechoslovakia), did not think that the question of navigation on the Danube came within the agenda of the Conference because it could not be classified under the heading of "Discrimination".

The Chairman thought discussion on the Danube question was necessary for the reason that a recommendation by the Conference might be of use both to the States concerned and to the Economic Committee of the League. He therefore proposed that the question should be referred to the Drafting Committee.

Sir Norman Hill (British Empire) pointed out that other States in addition to the riparian States were concerned in the question of the Danube. The Conference was bound to express an opinion as to whether discrimination existed or not on this great European waterway.

5. APPOINTMENT OF A DRAFTING COMMITTEE AND OF A SUB-COMMITTEE ON DISCRIMINATION ARISING FROM CONDITIONS OF TRANSPORT.

The Chairman closed the discussion and proposed the election of a Drafting Committee representing the different opinions expressed.

The following were elected members of the Drafting Committee: M. DVOŘÁČEK, Sir Norman Hill, M. MAHIEU, M. OHLIN, M. RIEDBERG, M. CARVALE and M. EGGERT.

SIR NORMAN HILL, M. MAHIEU and M. RIEDBERG were asked to form a Sub-Committee to establish a draft resolution regarding the question of discrimination arising from conditions of transport, with the assistance of M. POLITIS from the Advisory Committee on Communications and Transit.

6. WORK OF THE DRAFTING COMMITTEE.

The Drafting Committee held three meetings on Wednesday, May 11th, and Thursday, May 12th, to discuss the draft resolutions submitted by members.

Draft Resolution on Subsidies, Direct or Indirect.

Submitted by M. RYDBECK (Sweden),
Chairman.

"With the development of tariff barriers during the years following the war, we have seen in various countries an increasing tendency to have recourse to Governmental subsidies, more especially in the form of credits granted or guarantees against trading risks, with the aim of affording protection to the national industry and the exportation of its products.

"The fact that subsidies may, in certain circumstances, be considered less prejudicial to liberty of trading than Customs tariffs does not make it less necessary to point out the hidden dangers inherent in this kind of protection. There are many cases in which the adoption of these subsidies has been considered as a more acceptable form of unemployment allowance, and this does not prevent it from constituting a real danger for the restoration of sound conditions of international trade.

"Many important countries have already adopted this system of artificial protection for their industrials and their traders. The more the number of countries adopting this expedient increases, the more difficult it will be for the others to abstain from following their example. The result will be that, when all countries have adopted similar methods, they will see that not only has the protection they desired to give their nationals become illusory, but that the world has created for itself a new system of trade barriers as effective as tariff barriers."

Draft Resolution on Dumping.

Proposed by M. OHLIN (Denmark).

"The Committee uses the word 'Dumping' in the sense given to it by Professor Viner in the memorandum addressed by him to the Preparatory Committee, that is to say 'sales for export at lower prices than those charged at the same time and under like circumstances to buyers for the domestic market'.

"While recognising that the question of dumping is more especially important for the small countries which have adopted a liberal tariff policy, the Committee desires to draw attention to the fact that all methods of dumping are not disadvantageous for the purchasing country. The regular provision of goods at low prices is, on the contrary, often a great advantage — direct, since the consumer procures goods at low prices, and indirect by the increase of the competitive power of industries selling imported materials at low prices for the production of new products.

"On the other hand, there is no doubt that irregular dumping may create a condition of instability in production and trade, especially in the case of small countries, and may, in consequence, exercise an evil influence on the production of these countries altogether out of proportion to the temporary advantage of importation at low prices.

"Again, dumping may be employed by powerful commercial firms or consortiums of one country to destroy the corresponding industries of another country with a view to being able, eventually, to raise prices on the market of that country. The danger of a practice of this kind is increased by the fact that the world market is regulated by international agreements between the most important producers of the different countries.

"It would be extremely desirable that dumping in all its forms should be reduced to a minimum. With this aim in view, it is recommended to establish stable conditions of trade and industry everywhere, as far as possible, and to effect considerable reduction in tariffs. There is no doubt that the present instability tends to the practice, from time to time, of irregular dumping. On the other hand, it is certain that dumping is facilitated by the existence of high import duties in the countries practising dumping.

"A general convention laying down the principle that all countries should permit the re-export, free of duty, of their own products ought to secure results analogous to those following on a reduction of tariffs. This convention should be completed, however, by a law stipulating that contracts in the importing countries forbidding the re-export of imported goods are of no effect in respect of this clause.

"In the event that dumping of a kind prejudicial to the interests more particularly of the small importing countries should continue to exist, certain measures of protection against this dumping would be justified. It is, however, very important that these measures of protection against dumping should not permit the introduction by devious means of permanent protection with quite different aims.

"On the other hand, the greatest care should be taken to assure the security and stability of trade by all possible means, otherwise measures of protection against dumping might easily give rise, in the economic life of the importing countries, to difficulties as serious as dumping itself and, in the exporting countries, to still graver difficulties."

Draft Resolution

submitted by the Drafting Sub-Committee on Transport Discrimination (Sir Norman HILL, M. MAHIEU, and M. RIEDBERG).

"Discrimination arising from the Conditions of Transport"

"The Committee considered that, in the draft report and resolution given below, it should only examine the most general aspects of the questions raised, without troubling about the details of a great number of problems submitted for consideration in the documents which have been laid before the International Economic Conference, particularly in the memorandum of the International Chamber of Commerce on Trade Barriers. It considers that this memorandum in particular is certain to be brought to the knowledge of the competent technical organisations of the League of Nations, and it is confident that those organisations will study the conclusions given in it with the most lively desire to apply the solutions desired by international commerce.

"The Committee accordingly leaves aside all but the most general questions and puts forward the following conclusions in the form of a draft report, followed by a draft resolution :

"The Economic Conference, having on its agenda the investigation of the indirect methods of protecting national commerce and national navigation and particularly the question of the discrimination established by the system of transport, has not, as regards the latter point, to deal with general questions of transport as such, but only to consider them in so far as they affect international economic life.

"From this point of view, transport agents, whether they are concerned with transport by rail, maritime transport, transport by inland navigation, road transport or aerial transport, are merely the servants of trade. They do not create traffic and they are subject to the influence of the general economic situation rather than exercising an influence upon it. The prosperity of agriculture, industry and

commerce alone is able, by providing traffic, to permit them to attain the full return on their undertakings and puts them in a position to give, in return, the maximum of service. Similarly, the greater part of the hindrances from which transport is suffering do not originate in the transport system itself: on the contrary, transport is subject to the influence of formalities, delays or precautions of various sorts inspired by administrative, police, financial or politico-economic considerations, the extent and effects of which transport agents can only submit to without influencing them. The smaller the importance the authorities concerned consider it possible to attach to these considerations, the more will transport itself benefit. All that can be asked of transport agents is that their services, on all transport routes, shall be adequate for the needs of trade, shall be provided without prejudicial discrimination between different nationalities, and that their régime shall, as far as possible, not be such as to place any obstacle in the way of international trade, but shall, on the contrary, promote the free flow of traffic.

"The Economic Conference has taken note of the efforts already made by various States, notably in the Organisation for Communications and Transit of the League of Nations, to remove so far as possible conditions and discriminations liable to disturb the normal operation of transports.

"Such is the principal aim of the General Conventions on the Freedom of Transit and on the Regime of International Navigable Waterways concluded at the Barcelona Conference in 1921 and of the General Conventions on the International Regime of Railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923. It is inevitable that the texts of these Conventions should be open to criticism from various quarters and should not be able to satisfy simultaneously the most conflicting national contentions on all points. Such as they are, however, they represent a considerable step forward; their full and loyal application on as universal a basis as possible would establish a stable system of liberty and equitable international treatment of transports within the limits which have been judged reasonably possible.

"It would not seem opportune for the Conference to revert to the sometimes very delicate discussions, notably with regard to the coasting trade, railway rates, etc. which took place at the meetings which resulted in the satisfactory conclusion of these Conventions; but, although a fresh examination of the contents of these Conventions does not appear advisable, attention should be drawn to the fact that, particularly as regards the Conventions of 1923, which were signed by a very large number of States, the progress of ratification and accession has been singularly slow. It would be most regrettable from the point of view of international trade if even those Governments which signed these Conventions did not ratify them as soon as possible and if the greatest possible number of States did not accede thereto. In the majority of cases, the Governments themselves have made every effort to hasten these ratifications, but the application of the Conventions and the essential ratifications themselves can only be ensured if the public opinion concerned in the various countries shows a desire that this work should be carried through. The Economic Conference would perform a useful task if it addressed a fresh appeal in this connection to the Governments concerned and to the competent circles in the different countries.

"The same appeal might well be made to accelerate the putting into force of the Convention on Customs Formalities, concluded at Geneva on November 3rd, 1923. This Convention was not concluded for the purpose of facilitating transports, but the effects of it would nevertheless be particularly valuable

for the free play of communications. Every simplification of Customs formalities, again, reduces the field in which discriminations prejudicial to trade and to transport itself can be exercised.

"The application of such general conventions is no doubt insufficient in practice to eliminate in the sphere of transports all discriminations and all obstacles to international trade. In each branch of transports and with regard to a large number of special questions, direct and continuous co-operation between the experts responsible in the different countries is necessary and, indeed, has been established in a satisfactory manner. To quote only a few examples, the International Chamber of Commerce comprises persons belonging to the commercial circles concerned in transport questions, the International Union of Railways maintains touch between the railway administrations of Europe and some of those of Asia, while the Organisation for Communications and Transit of the League of Nations, through its Advisory and Technical Committee and its specialised Committees on transport by rail, inland navigation, ports and maritime navigation, and road traffic, establishes co-operation particularly between official Government circles. Close touch is maintained between these various bodies and also with the River Commissions of the international rivers of Europe and the great international organisations of undertakings concerned in maritime and aerial navigation.

"It is not possible to mention here all the work already done by these various organisations or still in progress, which is of great importance for the removal of obstacles and measures of discrimination detrimental to international trade. It is worth drawing attention, however, to the efforts made with a view to promoting the circulation of rolling-stock and to standardising railway nomenclature in order to facilitate the negotiation and conclusion of agreements for the introduction of international railway tariffs; similarly, steps are being taken to ensure the maximum of co-operation between the various modes of transport and the development of combined tariffs. Attention should also be drawn to the difficult and particularly important task which falls to the River Commissions in laying down measures for the purpose of facilitating the passage of the frontier on large international waterways and of simplifying formalities of all kinds detrimental to the free movement of navigation and to the full utilisation of river ports. Lastly, the next General Conference on Communications and Transit which is to meet at Geneva in August 1927, and at which the various organisations mentioned above will be represented, will no doubt consider the best means of co-ordinating the numerous investigations in progress. In particular, on the initiative of the last Assembly of the League of Nations and in conformity with a plan drawn up by the Advisory and Technical Committee for Communications and Transit, it proposes to begin to apply a plan for the systematic collection and distribution of general information on communications and transit of a nature to establish between the administrations concerned in European countries and those of non-European countries a collaboration which generally speaking is lacking at present. The data which will thus be collected, summarised and published and which relate in particular to international agreements of a public nature in regard to transports, the administrative and legislative treatment of transport in the various countries, important works in course of construction or completed, general statistics of traffic, and the main changes in freights and tariff systems, will be of great interest if they are widely circulated to the circles concerned with transport questions and to those engaged in commerce. They will also make it possible for the League of Nations, when organising

international co-operation in matters of transports, to deal more fully with practical details, and to ascertain with greater precision than the general texts of the conventions allow for the position with regard to the practical application of the principles embodied in these conventions, the possibilities of extending this application, and the difficulties which may be encountered by international transports.

"The Economic Conference cannot, of course, attempt to substitute itself for the various international organisations dealing with transport questions and examine afresh the problems which engaged their attention; it can but approve their efforts and urgently request all the authorities concerned to lend them their assistance in the general interests of international trade.

"The following resolution is accordingly proposed for its adoption:

"The Conference,

"Whereas the General Conventions on the Freedom of Transit and on the Regime of Navigable Waterways of International Concern concluded at the Barcelona Conference in 1921 and the General Conventions on the International Regime of Waterways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923 have taken full account of the complexity of the question, and whereas their general application would ensure for transports a stable system of freedom and equitable international treatment without invidious discrimination, care being taken to make the tariffs sufficiently elastic to be adapted as closely as possible to the complicated requirements of traffic;

"Whereas the widest possible application of the General Convention on the Simplification of Customs Formalities concluded at Geneva in 1923 would certainly facilitate the free operation of transports:

"Recommends that the States which have not yet ratified the above-mentioned General Conventions of Barcelona and Geneva should proceed to do so as soon as possible and that as many States as possible should accede thereto.

"Whereas, further, the best results are to be anticipated from the activities and co-operation of the great international organisations which permanently study transport questions, in particular:

"The Organisation for Communications and Transit of the League of Nations through its Advisory and Technical Committee for Communications and Transit, which provides for liaison between the Governments;

"The International Chamber of Commerce, which comprises prominent persons belonging to the commercial circles concerned.

"The International Union of Railways, which unites the railway administrations of Europe and part of Asia;

"The River Commissions of the International Rivers of Europe and the various international organisations representing the circles concerned in maritime and aerial navigation:

"Expresses the hope that the close co-operation already established will continue in future so as to take account of the various aspects of the problems raised by international traffic and so as to co-ordinate the solutions proposed, and that all the authorities concerned will support the efforts of these organisations."

Draft Proposal

referred by Sub-Committee 1 (Liberty of Commerce) to the Drafting Sub-Committee on Transport of Sub-Committee 3.

"Uniform Standards governing the Design, Construction and Equipment of Ships.

"Whereas it is desirable in the interests alike of safety of life and property at sea and of international overseas trade that uniform standards governing the design, construction, and equipment of ships should be internationally agreed and mutually accepted by all maritime countries;

"And whereas such standards already exist in most maritime countries,

"The Conference :

"(1) Notes that steps are being taken to secure international uniformity of such standards;

"(2) Recommends that, pending the general adoption of uniform standards, all maritime countries should accept as equivalent to compliance with their own laws compliance by foreign vessels with the laws of their own country, when these are substantially equivalent to, though not identical with, their own ;

"(3) Is of the opinion that the adoption of this recommendation by all maritime countries will in large measure provide a practical and effective check to flag discrimination."

Draft

submitted by the Drafting Sub-Committee on Transport.

"Uniform Standards governing the Design, Construction and Equipment of Ships.

"The Committee's attention has been drawn, in connection with the general questions dealt with in its principal report, to certain forms of indirect discrimination between flags in maritime navigation which may be facilitated by the absence of uniform rules governing the construction and equipment of ships from the point of view of safety at sea.

"In this connection, it proposes the adoption of the following resolution :

"Draft Resolution.

"Whereas it is desirable in the interests both of the safety of life and property at sea and of international overseas trade that uniform rules governing the construction and equipment of vessels in so far as they concern safety should be embodied in an international agreement and that all maritime countries should reciprocally accept such rules :

"The Conference :

"(1) Notes the fact that measures are now being taken to introduce uniform international rules on this point ;

"(2) Recommends that, pending the general adoption of these rules, maritime countries should endeavour to conclude agreements establishing equivalent measures of protection on board their ships."

7. RESOLUTIONS ADOPTED BY THE DRAFTING COMMITTEE

The resolutions, as adopted by the Drafting Committee, were as follows :

"Direct and Indirect Subsidies.

"During the years which followed the war, a marked extension of tariff barriers took place in various countries, accompanied by an increasing tendency to introduce State subsidies. This was done more particularly in an indirect way, by granting credits or guarantees which aimed at assisting the home industries and their export trade for a more or less protracted period, in view of the abnormal economic conditions prevailing throughout the world.

"The fact that subsidies are in certain circumstances held to interfere less with the liberty of trading than Customs tariffs does not make it any the less necessary to lay stress on the hidden dangers inherent in this means of encouraging production and exportation. The greater the number of countries which have recourse to this practice, the more difficult will it be for other countries to refrain from following their example. Thus the attempt to restore foreign trade to normal conditions meets with a real obstacle in the shape of subsidies.

"The Conference draws the attention of the various Governments to the true nature of direct or indirect subsidies, which are merely a palliative, and expresses the hope that Governments will, so far as possible, refrain from having recourse to them."

"Dumping.

"The Conference recognises that the question of dumping¹ is of particular importance to those countries which have adopted a liberal tariff policy, and lays stress on the fact that, although the consumer may secure, as a result of dumping, certain transitory advantages as regards price, there can be no doubt that dumping creates a state of insecurity in production and commerce, and can therefore exercise a harmful influence quite out of proportion to the temporary advantage resulting from cheap imports.

"Dumping can also be employed by powerful firms or commercial combines in one or more countries to destroy the similar industries of another country and thus to enable them afterwards to raise the price on the market of that country.

"It is certain that dumping is facilitated by the existence of high import duties in the countries practising it, and that it inevitably leads to the introduction of high defensive duties in the importing country.

"The Conference considers that if dumping, in every shape, is to be reduced to a minimum, it is necessary to take every possible measure to establish universally stable conditions of production and commerce and to reduce the excessive Customs tariffs of exporting countries.

"The Conference recommends, however, that importing countries which find themselves compelled to take defensive measures against dumping should not resort to excessive or indirect measures which would have a more far-reaching effect than is intended."

8. DISCUSSION ON DRAFT RESOLUTIONS

submitted by the Drafting Committee to the full Sub-Committee on Thursday, May 12th, in the afternoon.

(1) Direct and Indirect Subsidies.

M. Basch (Czechoslovakia) was of the opinion that the resolution laid too little stress on the

¹ The word "dumping" is here used in the sense of "sales for export at lower prices than those charged at the same time and under like circumstances to buyers for the domestic market", but with the express reservation that this difference in prices is secured by artificial means and with intent to obtain an unfair advantage, and not through free competition.

dangers caused by direct subsidies, whereas export bonuses were, in fact, a form of subsidy which was the least favourable to international commerce. He associated himself, however, with the Chairman's opinion when the latter explained that the Conference proposed to draw special attention to indirect subsidies, which were taking an increasingly large place in the financial policy of the nations, and were in danger, if continued, of creating a menace to the liberty of commerce.

Sir Campbell Rhodes (India) stated that the draft seemed to express the opinion that subsidies were more injurious to international commerce than high Customs tariffs. He proposed, therefore, an amendment, arguing that in certain countries — as in India for example — subsidies enabled a country to assist a young industry without too heavily handicapping the general consumer. He withdrew the amendment, however, on the Chairman giving assurance that the Committee did not intend to express any opinion on the relative merits of subsidies and tariffs, and that he would make this clear when reporting to the Committee of Commerce.

The resolution¹ was adopted without modification.

(2) *Dumping and Anti-Dumping Legislation.*

M. Ohlin (Denmark) considered that the definition of the word "dumping" as given in the proposed resolution was too limited, and thought that it did not cover a sufficient number of cases. He was opposed by Sir Norman Hill and M. Loucheur, who emphasised the great danger of too wide a definition which would hang like the sword of Damocles over the head of all honest tradespeople and be extremely detrimental to the commerce of the world. Evil intentions were characteristic of dumping. The Conference must be on its guard against throwing discredit on liberty of trading and warn the Governments against the adoption of measures of protection — if they found themselves menaced with dumping — which were likely to hinder commerce more than dumping itself.

On M. Kautsky (Austria) asking if the expression "stable conditions of commerce" covered "social conditions", the Chairman replied that the expression applied both to social and economic conditions, although the Conference was limited to economic conditions.

M. Ito (Japan) proposed adding the following recommendation :

"The Conference expresses the hope that vexatious measures will not be taken against international commerce under the pretext of fighting against dumping",

and withdrew his amendment when the Sub-Committee decided to insert the term "vexatious" in the last paragraph of the resolution.

The resolution was adopted.

¹ Printed above in the proceedings of the Drafting Sub-Committee.

(3) *Discrimination arising from Conditions of Transport.*

M. Gieysztor (Poland) read out a proposal as follows :

"Whereas the principal difficulty in establishing through international rates is the lack of stability of exchanges, it seems to me absolutely necessary to complete the proposals made by the Drafting Committee concerning transport, by the two following recommendations:

"(1) To establish the gold franc as the monetary unit in European transport rates, a proceeding which would allow the substitution of a single clearing-house in place of the numerous offices existing to-day ; and

"(2) To create, in connection with this central bureau, an insurance section to deal with losses resulting from the fluctuations in exchange. The insurance premium, being fixed at a very small sum, which will be further diminished with the gradual return to normal economic conditions in Europe, might be included in the cost of transport."

The suggestion of M. Gieysztor was referred for consideration to the Standing Committee for Communications and Transit of the League of Nations.

The resolutions submitted by the Drafting Committee were adopted with slight modifications (see Minutes of the Commerce Committee and report submitted to the Commerce Committee by its Co-ordination Committee (see page 111).

The two resolutions on :

(a) Discrimination arising from the conditions of transport, and

(b) Uniform standards governing the design, construction and equipment of ships, drafted by the Drafting Sub-Committee on Transport and printed above,

were adopted without alteration, except that the concluding lines of the resolution on uniform standards were changed to read as follows :

"... maritime countries should endeavour to conclude agreements recognising the equivalence of measures of safety on board their ships."

The resolution on dumping submitted by the Drafting Committee was adopted with two small changes. The opening of the second paragraph reads :

"Dumping can also be employed by powerful firms . . ."

and in the last paragraph the word "vexatious" was added, the last lines reading :

"...should not resort to excessive, indirect or vexatious measures which would have a more far-reaching effect than is intended."

FIRST COMMITTEE (COMMERCE)

**SUMMARY
OF PROCEEDINGS OF THE CO-ORDINATION COMMITTEE**

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FIRST COMMITTEE (COMMERCE)

SUMMARY OF PROCEEDINGS OF THE CO-ORDINATION COMMITTEE.

1. COMPOSITION OF THE COMMITTEE.

The Co-ordination Committee of the Commerce Committee consisted of thirteen persons, under the Chairmanship of M. COLIJN (Netherlands), viz.:

Mr. Roland W. BOYDEN (U.S.A.);
Mr. Norman DAVIS (U.S.A.);
M. A. DI NOLA (Italy);
M. Léopold DUBOIS (Switzerland);
M. J. DVOŘÁČEK (Czechoslovakia);
M. G. L. GÉRARD (Belgium);
Mr. W. T. LAYTON (British Empire);
M. J. O. E. RYDBECK (Sweden);
M. D. SERRUYS (France);
Dr. E. TRENDELENBURG (Germany);
M. Teijiro UYEDA (Japan);
Sir Hubert LLEWELLYN SMITH, Member of the Economic Committee of the League of Nations.

The Co-ordination Committee held two meetings, on May 18th and 19th, in which it discussed the draft general report of the first committee.

The constructive work of the Co-ordination Committee consisted in co-ordinating the draft reports of the three Sub-Committees of the Commerce Committee and in making such alterations in or additions to these reports as could be agreed upon unanimously; it decided to refer to the full Commerce Committee all new matter upon which unanimity could not be attained.

The following summary is not chronological, but topical.

2. INTRODUCTION.

On the second paragraph of the Introduction a discussion arose as to the advisability of retaining the words "especially in Europe".

Mr. Norman Davis (U.S.A.) thought the words should be retained. M. Rydbeck (Sweden) thought they should be omitted. *It was decided to retain the words.*

3. LIBERTY OF TRADING. IMPORT AND EXPORT PROHIBITIONS AND RESTRICTIONS.

In Recommendation No. 3, M. Rydbeck (Sweden) proposed to delete all the words after "capital", thus making the recommendation general in application and not confined to (or mainly referring to) commerce. M. Serruys (France) opposed this view, as the Conference was not a financial conference and the question should be treated from the point of view of trade. *It was decided to leave the question to the plenary Commerce Committee.*

4. LIBERTY OF TRADING. LEGAL PROVISIONS OR REGULATIONS RELATING TO INTERNATIONAL TRADE.

M. Loucheur submitted the following proposal regarding international arbitration:

"Whereas, in commercial questions, even more than in any others, the procedure of international arbitration is a guarantee of justice and peace;

"Whereas the beneficial results of the Protocol of September 24th, 1923, regarding the insertion of arbitration clauses in private agreements will remain incomplete so long as States do not undertake by an additional Act to make obligatory the execution of arbitral awards pronounced in conformity with that Protocol;

"Whereas it would be highly desirable for all disputes concerning the interpretation and application of commercial treaties and conventions to be submitted to international arbitration, preferably to the decision of the Permanent Court of International Justice;

"Whereas, to give to the decisions of that Court every necessary guarantee of expert knowledge in commercial questions, it would be desirable either that it should include a section specialising in commercial questions or that, in giving its judgments, it should be assisted by specialist assessors, as is already the case in questions of transit and communications;

"The International Economic Conference recommends:

"(1) That the Council of the League of Nations should take all suitable steps to submit to States for signature at an early date a Protocol for ensuring the compulsory execution of arbitral awards in commercial questions.

"(2) That the Council of the League of Nations should consider the desirability of laying before the Assembly of the League of Nations a resolution by which the Statute of the Permanent Court of International Justice shall be so enlarged as to assure to the awards pronounced by that Court in commercial questions every necessary guarantee of expert knowledge.

Recommendation (1) of this proposal *was adopted* by the Co-ordination Committee in the following form:

"In connection with the preceding recommendation, the Conference is of opinion that the beneficial results of the Protocol of September 24th, 1923, in regard to international recognition of arbitration clauses in private commercial contracts will not be fully realised until provision is made for ensuring the execution of such arbitral awards.

" The Conference accordingly recommends :

" That the Council of the League of Nations take steps to submit to States, for signature at an early date, a Protocol providing for the execution of arbitral awards in commercial questions. "

Recommendation (2) of M. Loucheur's proposals, dealing with the enlargement of the Statute of the Permanent Court of International Justice, was considered to be beyond the competence of the Co-ordination Committee¹.

5. COMMERCIAL POLICY AND TREATIES. TARIFF LEVELS.

The Hungarian proposals on agriculture (questions raised by Baron Kornfeld in Sub-Committee 2 (page 84)), to the effect that the considerations regarding tariff levels should be taken as applying to agriculture as well as to commerce and industry, were agreed to.

The final form of the proposal, as accepted by the Committee on Agriculture and eventually confirmed in the plenary Conference, is as shown in the last paragraph of the sub-heading " Discussion of Commercial Policy ", in the section " Tariff Levels " in the Final Report (see Volume I).

In connection with the statement contained in the paragraph of the Sub-section " Causes ", under " Tariff Levels " regarding budgetary needs being frequently given as the reason for high tariffs, and the reaction of such tariffs on the budget, Mr. Norman Davis (U.S.A.) explained that M. Gliwic (Poland) and certain other members were strongly opposed to this statement. M. Gliwic, who was by chance present, spoke, at the Chairman's invitation, and gave an outline of the reasons which necessitated Poland's increasing her duties; she had been compelled to do anything and everything to balance her budget.

6. COMMERCIAL TREATIES.

At both meetings considerable discussion took place on the drafting of an additional paragraph recommending the widest application of the unconditional most-favoured-nation clause while at the same time allowing room for local and regional exceptions.

M. Serruys (France) proposed a text framed to meet the wishes of the Swedish, Finnish, Czechoslovak and Austrian members in the matter of local and regional exceptions.

Dr. Trendelenburg (Germany), M. Di Nola (Italy), M. Dvořáček (Czechoslovakia), M. Gérard (Belgium), Sir Hubert Llewellyn Smith (member of the Economic Committee) and Mr. Norman Davis (U.S.A.) also contributed to the discussion. *The proposal* ". . . to ask the Council to instruct the Economic Organisation of the League to make investigations with a view to laying down appropriate guiding principles . . ." *was withdrawn.*

The final text adopted was :

" For this purpose, it is highly desirable that the widest and most unconditional interpretation should be given to the most-favoured-nation clause. This is not inconsistent with the insertion in any particular treaty of special provisions to

meet local needs so long as such provisions are clearly expressed and do not injure the interests of other States. "

7. SUBSIDIES, DIRECT OR INDIRECT.

M. Di Nola (Italy) regretted that export bounties were not specifically mentioned. M. Rydbeck, the Chairman of Sub-Committee 3, explained that this Sub-Committee had no intention whatever of praising transport subsidies and export bounties, but it had thought it important to issue a warning against the new form of subsidies — credits and guarantees.

8. DUMPING.

Considerable discussion took place on this section, particularly on the question of retaining or deleting the footnote definition of the term " dumping ".

It was pointed out by M. Rydbeck the Chairman of Sub-Committee 3, that his Sub-Committee did not pretend to have found an adequate definition of " dumping " in the few lines devoted to the definition; even the proviso, beginning " but with the express reservation . . . ", had been strongly criticised, until it had been shown by practical business men that some such proviso must be added to the definition. It had been felt, however, that some attempt at a definition must be made.

Mr. Norman Davis (U.S.A.) said that it was not clear, from the section on dumping as it stood, whether dumping was or was not condemned. The inference from the second part of the proviso in the footnote — " that this difference in prices is secured . . . with intent to obtain an unfair advantage . . . " — was that when the intention was good there was no dumping, and conversely.

M. Serruys (France), while not liking the definition, was of the opinion that some such definition was necessary, as the section had been accepted by Sub-Committee 3 on that condition.

Sir Hubert Llewellyn Smith thought that the definition was not only inadequate but also wrong. It did not meet the case of drawbacks granted on excise duties, whether high or moderate.

M. Di Nola (Italy) also thought the resolution was not precise enough. He asked what was meant by " unfair advantage ". He eventually proposed to omit the definition and put some explanatory matter in the body of the text, covering the ideas of Mr. Norman Davis, M. Serruys and Sir Hubert Llewellyn Smith.

It was finally decided to leave the matter to the plenary Commerce Committee, which finally deleted the definition.

In order to make it clear that the Conference condemned dumping, a proposal by M. Dubois (Switzerland), strengthening the text, was adopted, to the effect that, in the fourth paragraph, the text " The Conference considers that dumping in every shape *must be* reduced to a minimum . . . " was substituted for the original text, namely: " The Conference considers that *if* dumping, in every shape, is to be reduced to a minimum . . . " The words " in every shape " were subsequently deleted in the plenary Commerce Committee.

9. DISCRIMINATION ARISING FROM THE CONDITIONS OF TRANSPORT.

It was decided to retain in full this part of the Sub-Committee's work, notwithstanding the fact that its length might seem to give a disproportionate perspective to the work actually done in the present Conference.

¹ It was subsequently embodied, with modifications, in collaboration with Sir Hubert Llewellyn Smith, in the Loucheur-Llewellyn Smith proposals, which were adopted in the plenary Commerce Committee (see second paragraph of Recommendation (5) on Commercial Treaties).

Annex

REPORT SUBMITTED TO THE COMMERCE COMMITTEE
BY ITS CO-ORDINATION COMMITTEE.

INTRODUCTION

The programme with regard to Commerce laid down by the Conference Agenda includes a large number of subjects relating to the most important aspects of international trade.

Whatever the particular subject under discussion, it became apparent, from the facts and evidence presented to the Conference, that each nation's commerce is to-day being hampered by barriers established by other nations resulting in a situation, especially in Europe, that is highly detrimental to general welfare.

In spite of the variety of questions raised, the diversity of theories, and the legitimate national sentiments of all those who took part in the discussion, one important and extremely encouraging fact has emerged; and, having emerged, has become increasingly manifest as the work has advanced. This fact is the unanimous desire of the members of the Conference to make sure that this Conference shall, in some way, mark the beginning of a new era, during which international commerce will successively overcome all obstacles in its path that unduly hamper it, and resume that general upward movement, which is at once a sign of the world's economic health and the necessary condition for the development of civilisation.

A second fact, which is no less important than the first, is the mutual reaction which takes place between the measures taken by the different States for the benefit of their national economic interests. The tendency to equalise the level of Customs protection in the various countries; the desire of each nation to improve its position pending trade negotiations; the impulse to take reprisals against particularly harmful foreign tariff measures; the tendency to retain for national consumption certain goods which have been rendered scarce by restrictive measures in the country of origin; the anxiety to maintain equal competitive transport and conditions in matters of credits, sometimes perhaps the mere contagious effect of example — all these circumstances cause each economic measure taken by one nation at a given time to react almost invariably on the policies of all other nations.

Thus any strictly nationalistic policy is harmful not only to the nation which practises it but also to the others and therefore defeats its own end, and if it be desired that the new state of mind revealed by the Conference should lead rapidly to practical results, any programme of execution must include, as an essential factor, the principle of *parallel* or *concerted* action by the different nations. Each country will then know that the concessions it is asked to make will be balanced by corresponding sacrifices on the part of the other countries. It will be able to accept the proposed measures, not merely in view of its own individual position *but also because it is interested in the success of the general plan laid down by the Conference.*

It is, of course, well, at this point, to avoid any misunderstanding; if concerted action is indispensable, it is, unfortunately, by its very nature, comparatively slow, and nations must not allow themselves to make it an excuse for postponing the execution of the measures individually incumbent on each of them. Such measures should, on the contrary, form the firmest basis for the collective work which is destined one day to crown their efforts.

The first step has already been taken towards satisfying the desire for a return to a more normal commercial regime through the stabilisation now effected of the currency of a great number of countries whose exchange had been dislocated by the war and its consequences.

The Conference, convinced that exchange stabilisation constitutes one of the foremost conditions for the restoration of international trade, is most anxious to see further progress in this direction.

Such are the fundamental ideas which we must endeavour to instil in the minds of the people of all countries, so that, when properly informed of the nature of the task to be undertaken and fully reassured that important national interests will be respected, they may support their Governments in their worthy and arduous task of endeavouring forthwith to give effect to the resolutions of the Conference.

I. LIBERTY OF TRADING.

In harmony with what has been said above, the Conference, having been invited to consider the different problems grouped under the general heading of liberty of trading, has condemned the system of import and export prohibitions and against the privileges sometimes granted to State enterprises, and has also recommended a more liberal policy in respect of foreign nationals and companies in the exercise of their commercial activities.

The proposals resulting from its deliberations are as follows:

1. Import and Export Prohibitions and Restrictions

The Conference is convinced that a return to the effective liberty of international trading is one of the primary conditions of world prosperity.

The experience of the years since the war proves that import and export prohibitions, and the arbitrary practices and disguised discriminations which result therefrom, together with the obstacles of all kinds placed on the circulation of goods and capital, have had deplorable results by hampering the normal play of competition, by imperilling both the essential supplies of some nations and the not less indispensable markets of others, and by bringing about an artificial organisation of production, distribution and consumption.

Experience has shown, moreover, that the grave drawbacks of these measures have not been counterbalanced by the financial advantages or social benefits which were anticipated.

It is therefore important for the recovery and future development of world trade that the Governments should forthwith abandon an economic policy which is injurious to the interests both of their own and other nations.

A considerable step will have been taken in this direction if, as a result of the Diplomatic Conference convened for November 14th, 1927, the Governments adopt a convention based upon the draft prepared by the Economic Committee of the League of Nations on the subject of import and export prohibitions and restrictions, taking into account also the principles enumerated in the commentary accompanying the said draft and the proposals of the International Chamber of Commerce on this subject.

The aim in view would not, however, be achieved if the acceptance of this convention were merely formal, and if its provisions were rendered inoperative by export duties¹, the fixing of quotas, the imposition of unjustified health regulations or by any other means.

Accordingly, the Conference recommends :

(1) That the draft International Convention for the Abolition of Import and Export Prohibitions and Restrictions, as prepared by the Economic Committee of the League of Nations and submitted to the States Members of the League and to the principal non-Member States, constitutes, with its accompanying commentary, a very satisfactory basis for the Diplomatic Conference convened for November 14th, 1927, and should be utilised to lead to a prompt general agreement permitting the greatest possible number of nations by their concerted and simultaneous action to bring about favourable conditions for the recovery and development of the production and trade of all countries ;

(2) That, moreover, the application of the principles laid down in this draft should not be indirectly defeated by such means as export duties, the fixing of quotas, health regulations, or any other measures not justified by exceptional or imperative circumstances ;

(3) And, further, that the application of these principles should not be indirectly defeated by restrictions of the free circulation of capital — including, for example, any system for controlling exchange which impedes the purchase or exportation of foreign exchange for the purpose of paying for goods imported.

2. Commercial Equality of State Enterprises and Private Enterprises.

The Conference has considered the fact that certain Governments, when participating in the control or management of commercial, industrial, banking, maritime transport or other enterprises, have claimed in virtue of their own sovereignty various privileges, immunities or other advantages for the benefit of these enterprises and have also at times secured the grant of similar advantages from other countries by virtue of international comity.

Noting that these advantages give the enterprises benefiting from them an unduly privileged position as compared with similar private enterprises, the Conference declares that they constitute an infringement of free competition by making a discrimination between enterprises carried on side by side.

Accordingly, the Conference recommends :

That, when a Government carries on or controls any commercial, industrial, banking, maritime transport or other enterprise, it shall not in its character as such and in so far as it participates in enterprises of this kind, be treated as entitled to any sovereign rights, privileges or immunities from taxation or from other liabilities to which similar privately owned undertakings are subject, it being clearly understood that this recommendation only applies to ordinary commercial enterprises in time of peace.

¹ See Resolution No. III-3.

3. Legal Provisions or Regulations relating to International Trade.

The Conference recognises that it is important that the work of the Economic Committee of the League of Nations and the International Chamber of Commerce in connection with the simplification of Customs formalities¹, the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices should be continued with a view to obtaining rapid and general solutions.

Accordingly, the Conference recommends :

That, with a view to obtaining rapid and general solutions, the Economic Committee of the League of Nations should pursue the investigations undertaken with a view to the simplification of Customs formalities, the assimilation of laws on bills of exchange, the international development of commercial arbitration and the suppression of unfair commercial practices, and that all the necessary measures should be taken by the League of Nations and by Governments to increase the number of accessions to Conventions already concluded or which may hereafter be concluded on these matters.

In connection with the preceding resolution, the Conference is of opinion that the beneficial results of the Protocol of September 24th, 1923, in regard to international recognition of arbitration clauses in private commercial contracts, will not be fully realised until provision is made for ensuring the execution of such arbitral awards.

The Conference accordingly recommends :

That the Council of the League of Nations take steps to submit to States, for signature at an early date, a Protocol providing for the execution of arbitral awards in commercial questions.

4. Economic and Fiscal Treatment of Nationals and Companies of One Country admitted to settle in the Territory of Another.

The Conference considers that the granting of the legal, administrative, fiscal and judicial guarantees necessary to the nationals, firms or companies of a State admitted to exercise their trade, industry or other occupation in the territory of another State or to settle there is one of the essential conditions of economic co-operation between nations.

Taking note of the important work already devoted to this subject by the Economic Committee of the League of Nations and by the International Chamber of Commerce, the Conference considers it desirable that their conclusions should be considered and co-ordinated by the appropriate organs of the League of Nations with the view to their submission to a diplomatic conference for the purpose of determining the best methods of defining the status of foreigners, of abolishing unjust distinctions between them and nationals, and of preventing double taxation. The purpose of this conference would be to draw up an international convention.

But, before the latter could settle the question as a whole, bilateral agreements providing for equitable reciprocity and based on the guiding principles referred to above might effect a valuable improvement in the present situation.

Accordingly, the Conference recommends :

(1) That, pending the conclusion of an international convention, bilateral agreements should be arrived at, on the basis of the work already accomplished by the Economic Committee of the League of Nations and by the International Chamber of Commerce, defining the status of foreigners, not only from the economic but from the legal and fiscal points of view ;

(2) That, in the same spirit and with the same end in view, the Council of the League of Nations should prepare for the meeting of a diplomatic conference for the purpose of drawing up an international convention ;

(3) That, in drawing up these agreements and the texts to be submitted to the Conference, the following points among others should be borne in mind :

(a) Equality of treatment with regard to conditions of residence, establishment, removal and circulation, between foreigners admitted to a State and the nationals of that State ;

(b) Conditions of carrying on trade, industry and all other activities by foreign persons and enterprises ;

(c) Legal status of the same persons and enterprises ;

(d) Fiscal status of the same persons and enterprises.

¹ See also Resolution No. II. 5.

II. CUSTOMS TARIFFS.

The question of Customs tariffs has two different aspects according as it is regarded from the point of view of form or from that of substance, *i.e.* of the actual amount of the import duties. The latter aspect, which is directly allied to the question of commercial treaties, will be dealt with later in connection with the general problem of commercial policy.

As regards the first class of questions, the Conference unanimously recognised the desirability of simplifying Customs tariffs as far as possible, particularly by avoiding unwarranted subdivisions; it has proposed the establishment of a systematic Customs nomenclature, the use of which would in due course be assured by individual measures taken by the Governments and regularised by the conclusion of bilateral or multilateral international conventions; it emphasised the urgent necessity of stabilising Customs tariffs, by the conclusion of long-term commercial treaties or otherwise; it recapitulated rules for securing the maximum of equity in the application of duties and defined the principles on which Customs formalities should be based; and finally it passed a recommendation in favour of the execution, to the fullest possible extent, of the Convention of December 31st, 1913, establishing an International Bureau of Trade Statistics.

1. Simplification of Customs Tariffs.

The Conference considers that the enormous increase in the number of tariff headings and the excessive number of sub-headings in the various items — a practice which has grown up since the war — constitute in many cases a considerable obstacle to the development of international commerce, that States should refrain from this practice as far as possible, and that consideration should be given to the difficulties it causes as regards the nomenclature the establishment of which the Conference recommends.

The Conference considers that it is above all necessary to avoid tariff sub-headings which do not refer to articles of a different nature and which are merely intended to discriminate between articles of different origin.

2. Unification of Tariff Nomenclature.

The Conference considers that a fixed nomenclature for goods subject to Customs duties is an essential condition of equity in their application and ease in their collection, that it may also contribute to the duty-free exchange of goods, and that it constitutes a favourable basis for the improvement of trade statistics.

It is of the greatest importance for international trade that the Customs nomenclature of all countries should correspond as closely as possible with the actual types of goods manufactured and their current trade names, supplemented, if necessary, by their scientific designation.

Any Customs classification should be as objective as possible, lest it should become a means of discriminating to the prejudice of any country or of specialising tariffs to the advantage of any country.

A single systematic nomenclature, based either on the successive stages of manufacture or on the different types of goods, is perfectly well adaptable to different economic or fiscal theories, and it is not the nomenclature but the rate of duty attached to each such stage or type which is the means of establishing the degree of protection which, in accordance with its own tariff system, a country desires to give to a certain product, in accordance with its conception of national economy.

In these circumstances, the adoption of a common nomenclature, as has already been shown by its application to products of special complexity, would help to remove a subject for dispute which might become an obstacle to international trade.

The common adoption of an agreed nomenclature would promote the conclusion of commercial treaties and would prevent their application from becoming the subject of perpetual disputes.

The Conference therefore recommends:

(1) That the Council of the League of Nations should take the initiative in drawing up an appropriate procedure for establishing, in liaison with the producing and commercial organisation concerned, a systematic Customs nomenclature in accordance with a general plan covering all classes of goods;

(2) That a selection be made and an order of priority fixed among the various groups of commodities so that the common nomenclature may be gradually worked out, beginning with those classes of goods for which it can most readily be introduced;

(3) That the common nomenclature thus obtained should be submitted to the various Governments at each stage of preparation, and should then be transmitted to the producing and commercial circles concerned, and that such communication should be accompanied by an explanation of the principles underlying Customs classification and the arrangement of items;

(4) That, if the adoption of a common nomenclature for various important branches of production seems, after the enquiry and consultation referred to in the preceding paragraphs, to be realisable before a complete nomenclature had been established, the adoption of such nomenclature should be suggested to the Governments by means of a diplomatic conference or by other means;

(5) That, either by means of bilateral agreements or by a plurilateral convention or by any other procedure, Governments should undertake to apply this common nomenclature and bring their methods of passing goods through the Customs and levying duties into line with it;

(6) That the Governments which have adopted the common nomenclature should undertake not to impair its value by applying arbitrary or discriminatory specifications to the detriment of third States;

(7) That, notwithstanding the above provisions, States should not be bound in practice to introduce into their Customs tariffs all the subdivisions of the common nomenclature, it being understood that they will conform, in the headings they use, to the rules of classification and description which have been settled in common;

(8) That, in order to ensure the execution of engagements entered into by States with regard to nomenclature, the League of Nations should propose such measures of publicity, information, friendly settlement or arbitration as the nature of the engagements make it possible to adopt.

3. Stability of Customs Tariffs.

One of the most formidable obstacles in the way of establishing and developing permanent and secure trade relations between countries is the instability of tariffs.

The main causes of this instability are to be sought, on the one hand, in the fluctuations of exchanges when Customs duties are payable in paper currency, and, on the other hand, in the fact that Customs autonomy makes it possible for States to modify their Customs duties even as regards States with which they have concluded commercial conventions.

The Conference recommends :

(1) That States should refrain from making frequent or sudden changes in their Customs duties on account of the instability which such changes cause in trade relations and the serious difficulties or disputes which they occasion in connection with the execution of contracts already concluded;

(2) That in cases in which currency stability has not yet been fully secured, Customs duties should be levied on a gold basis, or their incidence should be periodically adjusted on the basis of an official index of prices, the adjustment to be made only at dates fixed in advance and only when alterations of incidence represent an appreciable percentage of the duties;

(3) That, in commercial treaties, as wide a use as possible should be made of the guarantees of stability afforded by the consolidation of duties, or in cases in which currency stability is insufficient to allow of the consolidation of the duties themselves, by any other means for adjusting the incidence of duties;

(4) That States should conclude their commercial treaties for as long a period as possible and should follow, in this regard, the policy practised by a large number of countries before the war.

4. Application of Tariffs ¹.

The International Economic Conference does not desire to express an opinion as to the respective advantages and drawbacks of *ad valorem* and specific duties; it is nevertheless desirable that endeavours should be made to secure their equitable application in all cases.

In the case of *ad valorem* tariffs, disputes often arise concerning the true value or current level of prices in the country of origin or the valuation of similar products in the importing country.

On the other hand, in the application of specific duties, the main difficulties are caused by uncertainty as to the tariff item applicable to a given article.

The Conference therefore recommends :

(1) That any system of enquiries or investigations in connection with the application of *ad valorem* duties or modification of tariffs shall be framed and administered with full regard for the business interests involved and for the maintenance of commercial good will among nations. Enquiries or inspections involving inquisitorial procedure or arbitrary methods shall be eliminated.

¹ See also, for the ratification of the Convention on the Simplification of Customs Formalities, Resolution No. II. 5.

(2) That, for the application of Customs duties, States should make provision, in case of dispute, for equitable procedure by appeal to administrative or ordinary courts in which the importer can be heard or defend his interests by producing evidence or demanding such expert examination as may be necessary;

(3) That States should, by definite stipulations in their Customs legislation and possibly in their commercial treaties, endeavour to limit the difficulty of applying duties so that trade may acquire that security without which it can neither develop nor even be maintained.

5. Customs Formalities.

In accordance with analogous provisions contained in the Convention on Simplification of Customs Formalities, the Conference considers it desirable to put forward the following recommendations :

(1) Consular fees should be a charge, fixed in amount and not exceeding the cost of issue, rather than an additional source of revenue. Arbitrary or variable consular fees cause not only an increase of charges, which is at times unexpected, but also an unwarrantable uncertainty in trade.

Failing any general agreement, it would be desirable that States should, in this matter embody mutual guarantees in their commercial treaties.

(2) The Conference, calling attention to the recommendations contained in the Annex to Article 14 of the Convention for the Simplification of Customs Formalities, recommends that an express guarantee should be added providing for a right of appeal which could be exercised, either by the importer or by the exporter, against Customs penalties, and more especially against such penalties as might be imposed in cases of manifest clerical errors.

(3) The Conference, appreciating the full value of the progress already made in the matter of Customs regulations under the influence of the "Convention relative to the Simplification of Customs Formalities" concluded at Geneva on November 3rd, 1923, which is now in force in twenty-five countries,

Recommends :

(a) That the said Convention should be ratified as soon as possible by those countries which have not yet ratified it or which have not yet made arrangements to bring their regulations into line with the principles of liberty recommended therein ;

(b) That its provisions should be applied by the contracting States as generously as possible.

(4) The following recommendation might be embodied in the Final Act of the Conference :

"The Conference, informed that the Economic Committee has before it a proposal designed to repress the practice of false Customs declarations and invoices, and without desiring to anticipate the results of its investigations, desires to make it clear that it is opposed to any dishonest practices in international trade."

6. Trade Statistics.

The Conference appreciates the desirability of making statistics comparable by adopting a common nomenclature, and observes the progress made in this direction under the influence of the Convention dated December 31st, 1913, which set up in Brussels an International Bureau for Trade Statistics.

It considers that international co-operation on the basis of the provisions of the said Convention will constitute an excellent preparation for the realisation of the international agreement recommended by the Conference for the adoption of a common Customs nomenclature, which, moreover, should have, when adopted, a beneficial effect on the unification of trade statistics.

The Conference therefore recommends :

(1) That the States which have signed the Convention dated December 31st, 1913, and have not yet ratified it should do so as soon as possible, and that the Governments which have not signed it should accede to it ;

(2) That the Contracting Parties should furnish the Bureau in Brussels as soon as possible with the data required for the compilation of the comparative statistics with the publication of which it has been entrusted under the said Convention.

III. COMMERCIAL POLICY AND TREATIES.

The main conclusion to be drawn from the work of the Conference in the field of commercial policy is that the time has come to put a stop to the growth of Customs tariffs, and to reverse the direction of the movement by an effort made along three lines, viz. :

- (1) Individual action by States with regard to their own tariffs ;
- (2) Bilateral action through the conclusion of suitable commercial treaties ;
- (3) Collective action, by means of an enquiry, with a view to encouraging the expansion of international trade on an equitable basis by removing or lowering the barriers to international trade which are set up by excessive Customs tariffs.

With the question of import duties is bound up the question of the fiscal burdens which are sometimes imposed in addition, and which, in the Conference's opinion, should not aim at providing disguised protection for national production.

In a similar connection, the Conference is anxious that the free circulation of raw materials and articles of consumption should not be unduly hindered by export duties, and that such duties, whether levied to meet fiscal needs or exceptional or compelling circumstances, should not discriminate between different foreign countries.

Lastly, commercial treaties should contain the unconditional most-favoured-nation clause in its broadest and most liberal form, and the League of Nations is recommended to consider the possibility of establishing clear and uniform principles in regard to that clause and introducing common rules relating to commercial treaties.

1. Tariff Levels.

Present Tariff Situation.

The evidence before the Conference, which is contained in the documentation or in the statements made by the members of the Conference, shows that the recovery from the effects of the war has been unduly delayed and that the foreign commerce of all nations is in greater or less degree seriously hampered by existing obstacles to trade.

The Conference notes with satisfaction that some of the more injurious forms of obstruction that prevailed immediately after the war have been removed. To this fact must be attributed in part the recovery of world trade which has so far been achieved.

Tariffs, on the other hand, which in recent years have shown a tendency to rise, are for the most part higher than before the war, and are at present one of the chief barriers to trade. The increase in most countries is almost wholly due to higher duties on manufactured articles.

In Europe, the problem has been complicated by political readjustments which have changed many frontiers and increased the number of separate Customs units from 20 to 27, all of which strive for an independent national economy which they defend by means of tariff barriers.

The harmful effect of these tariffs upon trade has in many cases been increased through their constant changes, which have created an element of uncertainty and made it impossible to place long contracts. The nations have failed to deal with this situation by long-term treaties.

Causes.

This state of affairs is largely due to a desire to meet the abnormal conditions arising out of the war. For example, many duties have been raised as a protection against an influx of goods from countries with a depreciating currency. Experience has proved that even the most rapid manipulation of tariffs is not an effective method of dealing with the still more rapid changes which are caused by monetary instability. Such attempts are a source of new difficulties for commerce and are themselves a source of uncertainty. Again, in the countries themselves whose currency has been depreciating, tariffs have been raised in order to check imports in the hope of stopping the depreciation. Finally, it has sometimes happened that, where depreciation has been followed by appreciation, Customs duties payable in paper money which had been raised during the inflation have not been correspondingly reduced when revalorisation occurred. These unstable currency conditions have to a considerable extent passed away ; but the tariff and other measures which have been specially employed to deal with them have not yet wholly disappeared.

A second reason for the present tariff situation both in Europe and elsewhere is the desire of nations by means of tariffs to keep existing or recently established industries in being by means of tariffs on a scale which they would not otherwise be able to maintain. These industries have grown to their present extent in some cases as a result of abnormal expansion during the war ; in others as a result of the desire of certain nations to attain a degree of economic independence which is not justified by their slender resources ; and again in others with a view to providing employment for surplus labour for which certain former outlets are at present closed.

This increase in productive capacity has often outrun the capacity of the country to absorb the products either as regards its material needs or its purchasing power. The result has been either that the plant left idle has overweighted the costs of production, particularly when borrowed capital is involved, or that, in order to utilise the whole plant and to give some return to the capital employed, it has been necessary to turn to the foreign market and so to intensify international competition.

The desire to deal with the problem of excessive industrial capacity has usually led to an attempt to reserve the home market for home production by means of tariff barriers

erected with a view to creating an independent national economy capable of producing, under the protection of the tariff wall, an increase of invested wealth and a more satisfactory return for the work of the nation. This effort to attain self-sufficiency cannot hope to succeed unless it is justified by the size, natural resources, economic advantages and geographical situation of a country. There are very few countries in the world which can hope to attain it. The artificial increase of plant which is only partly employed has meant not only uneconomical and costly production but also a wasteful use of the world's reduced capital resources. It has thus been one of the causes which has maintained an abnormally high rate of interest in recent years. It should be added that, so long as unduly high tariffs are maintained, this uneconomic use of capital continues and creates an increasing number of vested interests which resist a return to a sounder policy.

High tariffs of whatever system have, in many cases, also been imposed, in the first instance at all events, for bargaining purposes. But subsequent negotiations have in practice not resulted in adequate modifications, with the consequence that the Customs barriers have been left higher than before.

This evil has become accentuated in recent years by the post-war practice of enforcing the exaggerated rates of *tarifs de combat*, whether under the autonomous or any other system, even in advance of negotiations, with the result that vested interests have frequently grown up in the meantime which have made impossible the contemplated reductions.

In addition to arguments connected with tariff negotiations, budgetary considerations are frequently brought forward to justify very high tariffs. But a country's budgetary equilibrium rests on a very precarious foundation if it is founded on high rates of duty, the effect of which is to diminish imports and consequently the Customs revenue resulting from them. Moreover, the smuggling encouraged by excessive duties has a demoralising effect.

A reason which has frequently been invoked in many cases to justify exaggerated post-war tariffs is the need of protecting industries required for national defence. But it cannot be denied that this argument, whatever its merits may be in principle, has often been abused to cover exclusively economic objectives. Finally, the problem of population has induced certain countries which have a surplus of labour to base their Customs protection on this argument.

Discussion of Commercial Policy.

In enumerating the causes and ideas which are responsible for the super-protectionism of post-war years, the International Economic Conference does not attempt to pass judgment on the fundamental principles of protection and free trade respectively.

In contrast to ideas which have led nations into a situation which is equally harmful to their own economic life and to their international economic relations, it remains to set out the considerations which demand a return to a general policy of freer international commerce.

It is too often overlooked that the attempt to stimulate artificially industries which would not otherwise flourish in a country may check the development of those activities for which it is most naturally suited. Nations may determine, for political or other reasons, that it is essential to their safety to develop increased self-sufficiency, but it is appropriate for the Conference to point out that this has in most cases involved a sacrifice of material prosperity. In such cases, the loss is borne by consumers, who have to pay more for the products of the protected industry and by those engaged in the industries that would otherwise have a larger possibility of export.

In analysing European commercial practices, it may be observed that the advocates of exaggerated protection have often made the mistake of imagining that it is always more advantageous to hinder imports than to increase exports. Without any attempt to enunciate a general theory, it may be observed that, if exports increase, production and national income are increased in a similar proportion. If, on the other hand, imports fall on account of tariff duties, the rise in the level of commodity prices reduces not only the possibility of export but also the consuming capacity of the country. A part only of the imports excluded by the Customs duties is replaced by home production. Excessive protection, which reduces national production and purchasing power, in the end defeats its own object. In some cases excessive import duties, by permitting very high profits to be realised at home, give an uneconomic stimulus to exports, thus creating artificial competition on foreign markets. This practice is one of the most dangerous causes of market disorganisation and of economic conflicts between nations.

Customs tariffs are no remedy for the results of currency disorganisation. The experience of most nations which have gone through these difficulties indicates that budget equilibrium or the restoration of monetary stability is not to be attained by means of tariffs.

Such are some of the principal illusions and most dangerous practices which have impoverished certain nations or hindered their economic reconstruction.

The Conference recognises that the removal or substantial reduction of Customs barriers cannot be brought about suddenly without causing dislocation, but it is of opinion that Governments should immediately prepare plans for removing or diminishing by successive stages those barriers that gravely hamper trade, starting with those duties which have been imposed to counteract the effect of disturbances that are now past.

The Conference believes that, if the true results of the present system now prevalent in Europe were understood by public opinion, it would be possible for Governments to commence this process forthwith.

It is, however, clear that the process will be hastened if it can be carried out as a result of concerted action among States.

This is why the Conference is of opinion that it should make provision in its resolutions not merely for the encouragement of bilateral agreements as nearly as possible in keeping with its doctrines but also for the methodical examination, by an economic organisation to be set up by the Council in a manner best fitted for the attainment of the object in view, of measures which might be adopted in common, in the matter of tariffs, by States Members of the League and by States non-members — even, indeed, of the mutual undertakings to which these States might subscribe.

Conclusion.

In view of the fact that harmful effects upon production and trade result from the high and constantly changing tariffs which are applied in many countries;

And since substantial improvement in the economic conditions can be obtained by increased facilities for international trade and commerce;

And in view of the fact that tariffs, though within the sovereign jurisdiction of the separate States, are not a matter of purely domestic interest but greatly influence the trade of the world;

And in view of the fact that some of the causes which have resulted in the increase of tariffs and in other trade barriers since the war have largely disappeared and others are diminishing;

The Conference declares that the time has come to put an end to the increase in tariffs and to move in the opposite direction.

The Conference recommends :

(1) That nations should take steps forthwith to remove or diminish those tariff barriers that gravely hamper trade, starting with those which have been imposed to counteract the effects of disturbances arising out of the war.

Moreover, in order to ensure that this action is continuously pursued, the Conference recommends :

(2) That States should proceed to the conclusion of commercial treaties on lines and under conditions calculated to ensure the attainment of the above-mentioned aims ;

(3) That, in future, the practice of putting into force, in advance of negotiations, excessive duties established for the purpose of bargaining, whether by means of *tarifs de combat* or by means of general tariffs, should be abandoned ;

(4) That the Council of the League of Nations should be requested to instruct its Economic Organisation to examine, on the basis of the principles enunciated by the present Conference, the possibility of further action by the respective States with a view to promoting the equitable treatment of commerce by eliminating or reducing the obstructions which excessive Customs tariffs offer to international trade.

In this enquiry, the Economic Organisation should consult with representatives of the various Governments, including non-members of the League, and also so far as necessary with the competent bodies representing Commerce, Industry, Agriculture and Labour.

The object of the enquiry should be to encourage the extension of international trade on an equitable basis, while at the same time paying due regard to the just interests of producers and workers in obtaining a fair remuneration and of consumers in increasing their purchasing power.

2. Fiscal Charges imposed on Imported Goods.

The Conference noted that the practice has unfortunately become prevalent of imposing on imported goods internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which do not apply at all or do not apply in the same degree to similar home products.

The Conference considers that States are not justified in placing such obstacles in the way of international trade by taxing foreign products more heavily than identical or similar home products.

When goods have been legally imported duty free or when they have discharged the Customs duties and accessory Customs charges they must be regarded as duly nationalised and should be entitled after their importation to claim equal treatment with home products.

The Conference has thought it desirable to make the following recommendations as regards the above-mentioned practices :

(1) That all internal taxes of consumption, excise, *octroi*, circulation, manipulation, etc., which are applied to the products of any foreign country should be applied in the same manner and in the same degree to the products of all foreign countries and to identical and similar home products ;

(2) That the States should not impose consumption or other internal taxes for the purpose of giving a disguised protection to national products.

3. Export Duties ¹.

The Conference is of opinion that the free circulation of raw material is one of the essential conditions for the healthy industrial and commercial development of the world.

It is therefore of opinion that any export tax on the raw materials or on the articles consumed by producers which has the effect of increasing the cost of production or the cost of living in foreign countries tends thereby to aggravate the natural inequalities arising from the geographical distribution of world wealth.

The Conference therefore considers that export duties should only be resorted to to meet the essential needs of revenue or some exceptional economic situation or to safeguard the vital interests of the country and that they should not discriminate between different foreign destinations.

The Conference therefore recommends :

(1) That the exportation of raw materials should not be unduly burdened by export duties or any other taxes and that, even in cases where such duties or taxes are justified by fiscal needs or by exceptional or compelling circumstances, they should be as low as possible.

(2) That, in any case, export duties on raw materials should never be imposed for the special purpose of subjecting foreign countries using them to an increased burden which will place them in a position of unfair inferiority as regards the production of the finished article.

(3) That export duties on raw materials, whether levied for revenue purposes or to meet exceptional or compelling circumstances, should never discriminate between different foreign destinations.

(4) That the above principles apply equally to export duties on articles of consumption.

4. Commercial Treaties.

The tariff questions, important as they are, only cover a part of the field of the commercial relations among nations. In order to give to international commerce the necessary guarantees of free development on an equitable basis, it is also necessary that States should enter into commercial treaties for long periods guaranteeing fair and equal treatment not only in tariff matters but also as regards commercial conditions generally. In this respect, the great war has had a deplorable effect by destroying the system of commercial treaties by which easy and fruitful international relations were previously ensured.

The post-war system was based in the first instance on the peace treaties or on bilateral treaties concluded for very short periods.

Moreover, the collapse of certain currencies, the differences in conditions of production, and the disorganisation of prices, led various countries to abandon the principle of the most-favoured-nation clause, or to impose too many restrictions or conditions upon its application, or to limit its effects to categories of goods or to quotas.

Now, with the increasing stability of currencies and the accelerated movement towards normal economic conditions, all nations feel a growing desire for stability and a greater repugnance for any kind of discrimination.

A decisive step on the road to world reconstruction would undoubtedly be taken if the system of long-term treaties securing equality of treatment were restored.

For this purpose, it is highly desirable that the widest and most unconditional interpretation should be given to the most-favoured-nation clause. This is not inconsistent with the insertion in any particular treaty of special provisions to meet local needs, so long as such provisions are clearly expressed and do not injure the interests of other States.

On the other hand, it is undeniable that the conclusion of such commercial treaties is made difficult by the variety of conceptions of the bases of such treaties. Some countries, moreover, have considered that tariffs and contractual methods are interdependent, so that unduly high tariffs have often reacted on methods of treaty-making, and the latter in turn have often caused tariffs to be raised even higher.

The Conference regards these facts as necessitating immediate action by Governments with a view to concluding treaties as comprehensive and permanent as possible, and in order to improve and standardise the methods of treaty-making themselves.

(1) The Conference therefore considers that the mutual grant of unconditional most-favoured-nation treatment as regards Customs duties and conditions of trading is an essential condition of the free and healthy development of commerce between States, and that it is highly desirable in the interest of stability and security for trade that this treatment should be guaranteed for a sufficient period by means of commercial treaties.

¹ See also Resolution No. I.I.

(2) While recognising that each State must judge in what cases and to what extent this fundamental guarantee should be embodied in any particular treaty, the Conference strongly recommends that the scope and form of the most-favoured-nation clause should be of the widest and most liberal character and that it should not be weakened or narrowed by conditions either expressed or by interpretation.

(3) The Conference recommends that the Council of the League of Nations should entrust the Economic Organisation to undertake, in connection with the enquiry provided for in the preceding recommendations, all the necessary discussions, consultations and enquiries to enable it to propose the measures best calculated to secure either identical tariff systems in the various European countries or at least a common basis for commercial treaties, as well as the establishment, for all countries, of clearly defined and uniform principles as to the interpretation and scope of the most-favoured-nation clause in regard to Customs duties and other charges.

(4) The Conference, however, considers that the fact that certain discussions, consultations and enquiries may be taking place as contemplated in these recommendations, should not in any way be permitted to retard commercial negotiations now pending or to dissuade States from entering upon such negotiations.

IV. INDIRECT MEANS OF PROTECTING NATIONAL TRADE AND NATIONAL NAVIGATION.

Although having less immediate influence on the development of trade than the question of import and export prohibitions or that of Customs tariffs, the problems appearing under the above head are of considerable importance and their solution in the direction desired by the Conference would be of such a nature as to aid considerably the efforts made in other fields.

In the course of this part of its work, the Conference was bound to encounter the question of direct and indirect subsidies to trade, the question of dumping and the question of anti-dumping legislation. In this regard, however, it was confronted by such a variety of opinions, supported by so many different arguments that the Conference has had to be satisfied with enlightening public opinion as to the true nature and inevitable consequences of such practices and measures.

1. Subsidies, Direct or Indirect.

During the years which followed the war, a marked extension of tariff barriers took place in various countries, accompanied by an increasing tendency to introduce State subsidies. This was done more particularly in an indirect way, by granting credits or guarantees which aimed at assisting the home industries and their export trade for a more or less protracted period, in view of the abnormal economic conditions prevailing throughout the world.

The fact that subsidies are in certain circumstances held to interfere less with the liberty of trading than Customs tariffs does not make it any the less necessary to lay stress on the hidden dangers inherent in this means of encouraging production and exportation. The greater the number of countries which have recourse to this practice, the more difficult will it be for other countries to refrain from following their example. Thus the attempt to restore foreign trade to normal conditions meets with a real obstacle in the shape of subsidies.

The Conference draws the attention of the various Governments to the true nature of direct or indirect subsidies, which are merely a palliative, and expresses the hope that Governments will, so far as possible, refrain from having recourse to them.

2. Dumping and Anti-Dumping Legislation.

The Conference recognises that the question of dumping¹ is of particular importance to those countries which have adopted a liberal tariff policy, and lays stress on the fact that, although the consumer may secure, as a result of dumping, certain transitory advantages as regards price, there can be no doubt that dumping creates a state of insecurity in production and commerce, and can therefore exercise a harmful influence quite out of proportion to the temporary advantage resulting from cheap imports.

The same applies to dumping employed by powerful firms or commercial combines in one or more countries to destroy the similar industries of another country, and thus to enable them afterwards to raise the price on the market of that country.

¹ The word "dumping" is here used in the sense of "sales for export at lower prices than those charged at the same time and under like circumstances to buyers for the domestic market", but with the express reservation that this difference in prices is secured by artificial means and with intent to obtain an unfair advantage, and not through free competition.

It is certain that dumping is facilitated by the existence of high import duties in the countries practising it, and that it inevitably leads to the introduction of high defensive duties in the importing country.

The Conference considers that dumping, in every shape, must be reduced to a minimum, and that in order to attain this object, every possible measure should be taken to establish universally stable conditions of production and commerce and to reduce the excessive Customs tariffs of exporting countries.

The Conference recommends, however, that importing countries which find themselves compelled to take defensive measures against dumping should not resort to excessive, indirect or vexatious measures which would have a more far-reaching effect than is intended.

3. Discrimination arising from the Conditions of Transport.

The Economic Conference, having on its agenda the investigation of the indirect methods of protecting national commerce and national navigation and particularly the question of the discrimination established by the system of transports, has not, as regards the latter point, to deal with general questions of transport as such but only to consider them in so far as they affect international economic life.

From this point of view, transport agents, whether they are concerned with transport by rail, maritime transport, transport by internal navigation, road transport or aerial transport, are merely the servants of trade. They do not create traffic and they are subject to the influence of the general economic situation rather than exercising an influence upon it. The prosperity of agriculture, industry and commerce alone is able, by providing traffic, to permit them to attain the full return on their undertakings and puts them in a position to give, in return, the maximum of service. Similarly, the greater part of the hindrances from which transport is suffering do not originate in the transport system itself; on the contrary, transport is subject to the influence of formalities, delays or precautions of various sorts inspired by administrative, Police, financial or political-economic considerations, the extent and effects of which transport agents can only submit to without influencing them. The smaller the importance the authorities concerned consider it possible to attach to these considerations the more will transport itself benefit. All that can be asked of transport agents is that their services, on all transport routes, shall be adequate for the needs of trade, shall be provided without prejudicial discrimination between different nationalities, and that their regime shall, as far as possible, not be such as to place any obstacle in the way of international trade, but shall, on the contrary, promote the free flow of traffic.

The Economic Conference has taken note of the efforts already made by various States, notably in the Organisation for Communications and Transit of the League of Nations, to remove so far as possible conditions and discriminations liable to disturb the normal operation of transports.

Such is the principal aim of the General Conventions on the Freedom of Transit and on the Regime of International Navigable Waterways concluded at the Barcelona Conference in 1921 and of the General Conventions on the International Regime of Railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923. It is inevitable that the texts of these Conventions should be open to criticism from various quarters and should not be able to satisfy simultaneously the most conflicting national conventions on all points. Such as they are, however, they represent a considerable step forward; their full and loyal application on as universal a basis as possible would establish a stable system of liberty and equitable international treatment of transport within the limits which have been judged reasonably possible.

It would not seem opportune for the Conference to revert to the sometimes very delicate discussions — notably with regard to the coasting trade, railway rates, etc. — which took place at the meetings which resulted in the satisfactory conclusion of these Conventions; but, although a fresh examination of the contents of these Conventions does not appear advisable, attention should be drawn to the fact that, particularly as regards the Conventions of 1923, which were signed by a very large number of States, the progress of ratification and accession has been singularly slow. It would be most regrettable from the point of view of international trade if even those Governments which signed these Conventions did not ratify them as soon as possible and if the greatest possible number of States did not accede thereto. In the majority of cases, the Governments themselves have made every effort to hasten these ratifications, but the application of the Conventions and the essential ratifications themselves can only be ensured if the public opinion concerned in the various countries shows a desire that this work should be carried through. The Economic Conference would perform a useful task if it addressed a fresh appeal in this connection to the Governments concerned and to the competent circles in the different countries.

The same appeal might well be made to accelerate the putting into force of the Convention on Customs Formalities, concluded at Geneva in 1923¹. This Convention

¹ See also Resolution No. II. 5.

was not concluded for the purpose of facilitating transports, but the effects of it would nevertheless be particularly valuable for the free play of communications. Every simplification of Customs formalities, again, reduces the field in which discriminations prejudicial to trade and to transport itself can be exercised.

The application of such general conventions is no doubt insufficient in practice to eliminate in the sphere of transports all discriminations and all obstacles to international trade. In each branch of transports and with regard to a large number of special questions, direct and continuous co-operation between the experts responsible in the different countries is necessary, and indeed has been established in a satisfactory manner. To quote only a few examples: the International Chamber of Commerce comprises persons belonging to the commercial circles concerned in transport questions; the International Union of Railways permanently keeps in touch with one another the railway administrations of Europe and some of those of Asia; while the Organisation for Communications and Transit of the League of Nations, through its Advisory and Technical Committee and its specialised Committees on transport by rail, inland navigation, ports and maritime navigation, and road traffic, establishes co-operation particularly between official Government circles. Close touch is maintained between these various bodies and also of Europe and the great international organisations of undertakings concerned in maritime navigation and aerial navigation.

It is not possible to mention here all the work already done by these various organisations or still in progress, which is of great importance for the removal of obstacles and measures of discrimination detrimental to international trade. It is worth drawing attention, however, to the efforts made with a view to promoting the circulation of rolling-stock and to standardising railway nomenclature in order to facilitate the negotiation and conclusion of agreements for the introduction of international railway tariffs; similarly, steps are being taken to ensure the maximum of co-operation between the various modes of transport and the development of combined tariffs. Attention should also be drawn to the difficult and particularly important task which falls to the River Commissions in laying down measures for the purpose of facilitating the passage of the frontier on large international waterways and of simplifying formalities of all kinds detrimental to the free movement of navigation and to the full utilisation of river ports. Lastly, the next General Conference on Communications and Transit, which is to meet at Geneva in August 1927, and at which various Organisations mentioned above will be represented, will no doubt consider the best means of co-ordinating the numerous investigations in progress. In particular, on the initiative of the last Assembly of the League of Nations, and in conformity with a plan drawn up by the Advisory and Technical Committee for Communications and Transit, it proposes to begin to apply a plan for the systematic collection and distribution of general information on communications and transit of a nature to establish between the administrations concerned in European countries and those of non-European countries a collaboration which, generally speaking, is lacking at present. The data which will thus be collected, summarised and published and which relate in particular to international agreements of a public nature in regard to transports, the administrative and legislative treatment of transport in the various countries, important works in course of construction or completed, general statistics of traffic, and the main changes in freights and tariff systems, will be of great interest if they are widely circulated to the circles concerned with transport questions and to those engaged in commerce. They will also make it possible for the League of Nations, when organising international co-operation in matters of transports, to deal more fully with practical details and to ascertain, with greater precision than the general texts of the Conventions allow for, the position with regard to the practical application of the principles embodied in these Conventions, the possibilities of extending this application, and the difficulties which may be encountered by international transport.

The Economic Conference cannot, of course, attempt to substitute itself for the various international organisations dealing with transport questions and examine afresh the problems which engaged their attention; it can but approve their efforts and urgently request all the authorities concerned to lend them their assistance in the general interests of international trade.

For these reasons,

(1) Whereas the General Conventions on the Freedom of Transit and on the Regime of Navigable Waterways of International Concern concluded at the Barcelona Conference in 1921 and the General Conventions on the International Regime of Railways and on the International Regime of Maritime Ports concluded at the Geneva Conference of 1923 have taken full account of the complexity of the question, and whereas their general application would ensure for transports a stable system of freedom and equitable international treatment without unfair discrimination, care being taken of leaving to the tariffs sufficient flexibility to permit of them being adapted as closely as possible to the complex needs of trade;

Whereas the widest possible application of the General Convention on the Simplification of Customs Formalities concluded at Geneva in 1923 would certainly facilitate the free operation of transports;

The Conference recommends:

That the States which have not yet ratified the above-mentioned General Conventions of Barcelona and Geneva should proceed to do so as soon as possible and that as many States as possible should accede thereto;

(2) Whereas the best results are to be anticipated from the activities and co-operation of the great international organisations which permanently study transport questions, in particular:

The Organisation for Communications and Transit of the League of Nations through its Advisory and Technical Committee for Communications and Transit, which provides for liaison between the Governments;

The International Chamber of Commerce, which comprises prominent persons belonging to the commercial circles concerned;

The International Union of Railways, which unites the railway administrations of Europe and part of Asia;

The River Commissions of the International Rivers of Europe and the various international organisations representing the circles concerned in maritime and aerial navigation;

The Conference recommends:

That the close co-operation already established will continue in future so as to take account of the various aspects of the problems raised by international traffic and so as to co-ordinate the solutions proposed, and that all the authorities concerned will support the efforts of these organisations.

(3) Whereas its attention has been drawn to certain forms of indirect discrimination between flags in maritime navigation which may be facilitated by the absence of uniform rules governing the construction and equipment of ships from the point of view of safety at sea.

Whereas it is desirable, in the interests both of the safety of life and property at sea and of international overseas trade, that uniform rules governing the construction and equipment of vessels in so far as they concern safety should be embodied in an international agreement and that all maritime countries should reciprocally accept such rules:

The Conference:

(a) Notes the fact that measures are now being taken to introduce uniform international rules on this point;

(b) Recommends that, pending the general adoption of these rules, maritime countries should endeavour to conclude agreements recognising the equivalence of measures of safety taken on board their ships.

SECOND COMMITTEE (INDUSTRY)

Summary of Minutes of the Plenary Meetings.

Summary of Proceedings of the Drafting Committees.

SECOND COMMITTEE (INDUSTRY)

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INTRODUCTORY NOTE

The Committee on Industry was instructed to study Section II of the second part of the agenda of the Conference *i.e.* :

INDUSTRY.

1. Situation of Principal Industries (productive capacity, output, consumption and employment).

2. Nature of Present Difficulties in Industry; their Industrial, Commercial and Monetary Causes.

3. Possibilities of Action :

(a) Organisation of Production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labour; their legal position; their connection with Customs problems.

(b) Importance of Collection and Prompt Exchange of Statistical Information with regard to Industrial Production.

This Committee did not form a Sub-Committee. It held twelve plenary meetings. The first four meetings were devoted to a general discussion; two meetings to the discussion of rationalisation; and three meetings to international ententes.

Three Drafting Committees were formed, which prepared draft resolutions¹; these were discussed and adopted with some modifications during the last three plenary meetings of the Committee.

The final text of the resolutions adopted by the Committee and approved by the Conference is given (see in the final report of the Conference, volume I.)

¹ See pages 163-170 for the text of these drafts.

COMPOSITION OF THE COMMITTEE OF INDUSTRY

Chairman :

Dr. F. HODÁČ (Czechoslovakia).

Vice-Chairmen :

M. Dario URZUA (Chile).
M. Eugène NECULCEA (Roumania).
Mr. Arthur PUGH (British Empire).

Rapporteurs :

M. DE PEYERIMHOFF (France).
M. Alberto PIRELLI (Italy).

SOUTH AFRICA

Mr. Jacobus Stephanus SMIT.

AUSTRALIA

The Hon. Sir David GORDON, M.L.C.
Mr. William Warren KERB, C.M.G., C.B.E.
Mr. Alexander Foulis BELL, C.M.G.

AUSTRIA

M. Edouard HEINL.
M. Richard RIEDL.
Mme. Emmi FREUNDLICH.
Dr. Richard SCHÜLLER.
Dr. Gustave WEISS-WELLENSTEIN (E).

BELGIUM

M. Gustave-Leo GÉRARD.
M. C. MERTENS.
M. Georges DIDIER (E).

BRAZIL

M. Affonso BANDEIRA DE MELLO

BRITISH EMPIRE

Sir Arthur BALFOUR, K.B.E.
Sir Max MUSPRATT, Bart.
Mr. Arthur PUGH.
Mr. E. Raymond STREAT (E).
Mr. R. T. NUGENT (E).
Mr. John R. BELLERBY (E).

CANADA

Mr. Joseph DAoust, LL.D., J.P.
Mr. W. A. RIDDELL, M.A., Ph.D.

CHILE

M. Dario URZUA.

COLOMBIA

M. Antonio DE NARVAEZ.

CUBA

Dr. Juan de Dios GARCIA KOHLY.

CZECHOSLOVAKIA

Dr. F. HODÁČ.
Dr. Charles URBAN.
M. Rodolphe TAYERLE.
Dr. J. KISLINGER (E).
Dr. Joseph WALTER (E).
M. Adolph POHL (E).

DENMARK

M. Jens Peter NIELSEN.
M. Ove MUNCK.
M. Bertil G. OHLIN (E).

DANZIG

Professor Ludwig NOE.

EGYPT

ABDUL RAHMAN FIKRY Bey.

ESTONIA

M. Jaan TOENISSON.
M. Georg VESTEL.

FINLAND

M. W. A. LAVONIUS.
M. J. W. KETO.

FRANCE

M. LOUCHEUR.
M. JOUHAUX.
M. DE PEYERIMHOFF.
M. GARCIN (E).
M. DE ROUSIERS (E).

GERMANY

M. Clemens LAMMERS.
M. Carl Friedrich VON SIEMENS.
M. Friedrich BALTRUSCH (E).

HUNGARY

His Excellency Count Jean HADIK.
Baron Maurice KORNFIELD.

INDIA

Sir Ness WADIA, K.B.E., C.I.E.
Sir Campbell W. RHODES, C.B.E.

IRISH FREE STATE

Mr. Michael MACWHITE.
Mr. Robert C. FERGUSON.
Mr. William DINAN.

ITALY

M. Alberto PIRELLI.
M. Ernesto BELLONI.
M. Felice GUARNERI (E).
M. Enrico MARCHESI (E).

JAPAN

Baron CHUZABURO SHIBA.

LATVIA

M. Jean JAGARS.

NETHERLANDS

M. H. COLLIN.
M. Joan GELDERMAN.
Dr. A. R. ZIMMERMAN.
Mlle. E. C. VAN DORP.
M. P. J. S. SERRARENS (E).
M. M. P. L. STEENBERGHE (E).

NORWAY

M. N. RYGG.
M. Gunnar JAHN.
M. Hjalmar WESSEL.

PERSIA

M. AMID.
M. MOLITOR.

POLAND

M. Hipolit GLIWIC.
M. Herman DIAMAND.
M. Edmond TREPKA.
M. Juljan CYBULSKI.
M. Zygmunt CHMIELEWSKI.
M. Roger BATTAGLIA (E).

PORTUGAL

M. Francisco DA CUNHA LEAL.

ROUMANIA

M. Eugène NECULOEA.
M. I. GIGURTU.
M. G. STEFANESCU.

KINGDOM OF THE SERBS, CROATS
AND SLOVENES

M. Vlada ILITCH.
M. Ivan AVSENEK.
M. Georges CURČIN (E).

SIAM

His Highness Prince CHAROON.

SWEDEN

M. Gustav CASSEL.
M. Oscar RYDBECK.
M. V. G. LUNDAVIK.
Dr. Erik SJÖSTRAND.
M. J. O. JOHANSSON.

SWITZERLAND

Dr. Ernest WETTER.
Dr. Max WEBER.

TURKEY

His Excellency HASSAN Bey.
His Excellency Moustafa CHEREF Bey.

U.S.S.R.

M. Grégoire SOKOLNIKOFF.
M. Jean LEPSÉ.
M. Valerien OBOLENSKI-OSSINSKI.
Professor N. N. LIOUBIMOFF (E).

Members nominated by the Council :

M. Arthur FONTAINE, President of the Council
of Administration of the International Labour
Office.

Dr. Marie Elisabeth LÜDERS, Women's Inter-
national Organisations.

Mrs. Barbara WOOTTON, M.A., J.P., Workers'
Educational Association.

International Chamber of Commerce :

M. R. P. DUCHEMIN.
M. Gino OLIVETTI.

Experts invited by the President of the Conference :

M. Francisco MAURO, President of the Council
of Direction of the International Institute of
Scientific Organisation of Work.

Mr. Edward E. HUNT, Member of the Inter-
national Committee on Scientific Management.

Observers :

M. Enrique NARVAEZ (Mexico).
M. Salvadrez PRIETO (Mexico).

UNITED STATES

Mr. Henry M. ROBINSON.
Mr. John W. O'LEARY.
Dr. E. Dana DURAND (E).

FIRST MEETING

Held on May 9th, 1927, at 10.30 a.m.

Chairman : Dr. F. HODÁČ (Czechoslovakia).

1. — DISCUSSION ON THE AGENDA.

The Chairman, in opening the meeting, said that the unemployment question, which had been discussed at length in the plenary sessions of the Conference, made the work of the Committee particularly important.

He referred members of the Committee to the document, *Agenda of the Conference*, for questions of procedure.

The task of the Committee did not appear to include the examination of the actual state of individual industries, but, if members of the Conference and experts were anxious to meet to discuss any particular industry, a special sub-committee could be called, on the request of those interested.

They might take up discussion of Item 2, which dealt with "Nature of Present Difficulties in Industry; their Industrial, Commercial and Monetary Causes". They could then study Item 3 (a) (Organisation of Production: Rationalisation and Industrial Ententes) and 3 (b) (Statistical Information).

2. — QUESTION OF CONSTITUTING SUB-COMMITTEES FOR VARIOUS INDUSTRIES.

M. Mertens (Belgium) stated that he agreed with the Chairman in referring the first item on the agenda, "Situation of the Principal Industries", to special committees, but he would like them to draw up a list of those industries for which it was thought special committees should be appointed, and these sub-committees would have an influence on the discussion of the third point of the agenda, "Possibilities of Action".

Sir A. Balfour (British Empire) expressed disagreement with the preceding speaker. The constitution of special sub-committees would entail the presence of too large a number of experts and lengthy deliberation. He supported the Chairman's proposal.

The Chairman repeated that it would only be necessary to appoint sub-committees in so far as members of delegations asked for them.

M. Mertens (Belgium) hoped that any meetings of sub-committees of experts for special industries would not be purely formal, and that the Conference would take note of their decisions.

The Chairman replied that, since the Committee had a great deal of documentation before it, it was only in cases where delegates wished supplementary information that a sub-committee need meet.

The Chairman's proposals were carried.

3. — ELECTION OF TWO VICE-CHAIRMEN AND TWO RAPPORTEURS.

On the proposal of the Chairman, the Committee appointed the following Vice-Chairmen:

M. Dario URZUA (Chile);
M. NECULCEA (Roumania);

and the following Rapporteurs:

M. DE PEYERIMHOFF (France);
M. PIRELLI (Italy).

4. — VARIOUS STATEMENTS.

M. Pirelli (Italy) thought that the Committee might be led to overstep the limits of the agenda for certain questions, such as those of credit and population, which were equally interesting from the industrial and the commercial point of view.

Certain industries were able to produce more than the public could consume for the following reasons: the increase of munitions plant; the necessity, for certain countries, of finding work for a growing population; or, lastly, the recent industrial development of certain far-distant countries, e.g., Brazil, Australia, India.

His personal observation in the United States had led him to recognise that American methods, which gave excellent results in the United States, were not always applicable in Europe.

The problem was to improve production and reduce production costs. Hence it was essential to study the rationalisation of industry, the question of industrial cartels, and that of statistical information.

As regards the first of these questions, it was particularly necessary to create and inform public opinion in industrial and working-class circles. In this connection, the speaker recalled Mr. Hoover's campaign known as the Anti-Waste Campaign.

The question of cartels was related to the problem of rationalisation in so far as the latter profited by the existence of these agreements. Cartels also helped to assure a certain regularity of work, but care must be taken not to damage the legitimate interest of the workers and consumers, to threaten the welfare of certain States or practise dumping. On the other hand, industrial progress must not become crystallised, and it would be regrettable if, in view of a rapid increase in population, certain nations were led to defend themselves by excessive industrial and Customs protectionism.

The speaker then regretted the insufficiency and heterogeneity of the statistical information available which, except for the cotton industry, was narrowly national in character, and he suggested that local documentation be co-ordinated internationally. Industrial statistics must, moreover, be considered in close connection with Customs nomenclature, which was being dealt with by the Committee on Commerce.

In conclusion, he stated what he believed to be the scope of the work of the Committee in the three following points :

(a) As regards *rationalisation*, the chief rôle of the Conference was to serve as a means of propaganda ;

(b) As regards *industrial cartels*, they must study and decide under what conditions these might be useful without damaging the legitimate interests of producers, of consumers, and of certain nations ;

(c) As regards *statistics*, they must endeavour to develop their use and to unify methods, taking into account the results obtained in the matter of the unification of Customs nomenclature.

M. Neculcea (Roumania), in referring to M. Pirelli's allusion to the question of statistics, recalled the fact that the Economic Committee of the League of Nations had formed a Mixed Committee with a view to the unification of economic statistical methods. The interesting conclusions which this Committee had already reached would be put before the general Assembly of the International Statistical Association, to be held at Cairo next December.

Sir Arthur Balfour (British Empire) wished to draw the attention of the Committee to the question of stable currencies. A great many of the troubles in regard to tariffs had arisen from the instability of currency and exchange. He hoped that those currencies which were not yet stabilised might be so as soon as possible.

The purchasing power of the world had been reduced and it was necessary to reduce the costs of production. The first thing that was required was determination to increase production and to avoid the loss of time involved in strikes and lock-outs. A great deal of the success of America had been due to the fact that employers, workers and public opinion in that country were at one in favour of increased production to augment the general well-being. He hoped they would succeed in eliminating waste. He also hoped that the Conference would be unanimous in declaring that an increase in production was the goal to be reached in the general interest of mankind.

5. — CONSTITUTION OF A CO-ORDINATION COMMITTEE.

M. da Cunha Leal (Portugal) regretted the absence of rules or general principles for the work of the Committees. If they worked without any system of co-ordination, they would run the risk of presenting to the full Conference contradictory conclusions.

In order to avoid this difficulty, the Portuguese delegate submitted the following proposal :

“ The Committee on Industry takes the initiative of proposing to the other Committees appointed by the Conference the constitution of an organ composed of six representatives from each of them, which would have the following duties : to harmonise the work of the three Committees : to give its preliminary approval to proposals submitted to the vote of each of these Committees ; to draft the definite text which will be submitted to the vote of the full Assembly of the Conference.”

The speaker asked that, if his proposal were adopted, the six members might be nominated by secret ballot.

M. de Peyerimhoff (France) stated that, in the course of the preparatory work for the Conference, a semi-official committee which finally took official form had been charged with such co-ordination. This Committee, formed by the Bureau of the Preparatory Committee, was now represented by the Bureau of the Conference with the Chairmen and Rapporteurs of the Committees. M. da Cunha Leal's proposal, he thought, would have the disadvantage of reducing the authority of the Chairmen of the Committees.

M. Jouhaux (France) pointed out the difference between the Co-ordination Committee of the Preparatory Committee or of the League of Nations Assembly and that now proposed. Not only nations but different economic interests were represented, and they must be harmonised to ensure success.

M. da Cunha Leal (Portugal) stated that his proposal could not be considered as in any way infringing the prerogatives of the Chairmen. He maintained his proposal, emphasising the difference, mentioned by M. Jouhaux, between the circumstances of the Preparatory Committee and the Conference.

M. Loucheur (France) gave his opinion that the Committee was not competent to discuss this question, which was entirely one for the plenary Conference.

The Chairman proposed that the question be submitted to the President of the Conference and that the discussion be postponed until the afternoon.

M. Loucheur (France) wished to state that the French delegation would be bound to make most energetic protests against any infringement of the prerogative of the Conference. If a member of the Conference wished to propose the appointment of a Co-ordination Committee, he should have put forward his proposal when the constitution of the Committees had been decided in the plenary meeting of the Conference.

Sir Max Muspratt (British Empire) entirely agreed with M. Loucheur.

The Chairman informed the Committee that he would explain the discussion to the President of the Conference, who alone was competent to give a ruling on this point.

M. da Cunha Leal (Portugal) did not press the matter, although he still maintained his point of view.

M. Jouhaux (France) explained that he had only intended to suggest that the Portuguese proposal be referred to the President of the Conference for examination. The speaker was in entire agreement that all the Committees should be appointed by the plenary Conference, but he would like the plenary Conference to meet before the end of the work of the Committees in order that the Co-ordination Committee might be appointed.

The Chairman thought that all delegates were in agreement to refer M. Jouhaux's opinion to the President of the Conference.

SECOND MEETING

Held on May 9th, 1927, at 10.30 a.m.

Chairman : Dr. F. HODÁČ (Czechoslovakia).

1. — CONSTITUTION OF A CO-ORDINATION COMMITTEE.

The Chairman said that he had informed the President of the Conference of the suggestions submitted in the Committee that morning relative to the formation of a Co-ordination Committee. The question would be considered, and the President, after conferring with the Chairmen of the Committees, would in due course propose the necessary measures.

2. — GENERAL DISCUSSION.

Before opening the general discussion, the Chairman said that the debates on rationalisation and on international ententes would follow later.

Mr. Henry M. Robinson (United States of America) thought that the American delegation should hesitate to express very definite opinions as to the present situation in Europe. He would confine himself to directing attention to certain parts of document C.E.I. 19, *Summary Memorandum on Various Industries*, regarding the over-development of industrial equipment in Europe, the reduction in the purchasing power of the European consumer, the closing of certain non-European markets owing to Customs barriers or the industrialisation of the countries in question, and, lastly, the lack of exchange stability and the restrictions concerning the movement of persons.

Agreeing with M. Pirelli and Sir Arthur Balfour on the inapplicability to European conditions of all the methods adopted in the United States, the speaker noted that M. Pirelli thought that possibly some of the methods adopted in the United States for the reduction of waste and the effecting of economies might be applied here. He wondered whether the *per capita* output might not be gradually increased in Europe as well as in the United States, and he would recall two suggestions. The interchange of statistical information and information in respect of industrial methods had proved very beneficial in the United States, and it might be useful to develop a similar service in Europe on the basis of American experience. Another suggestion was the more rapid application of machinery in substitution for hand labour. The members from the United States found it difficult to advocate this measure because of the unemployment existing in various countries : yet one of the surest means of reducing the cost of production was the increase in production *per capita*. Here they came to the question of actual productive capacity from the standpoint of the factory.

Turning to the figures of unemployment, he would ask how much care was exercised in comparing them with the normal conditions as to unemployment prior to the war, and whether care had been taken in certain countries to make an enquiry as to whether the unemployment figures were not higher than the number of persons actually out of work. As the result of the enquiry made into this question in the United

States in 1903, it was found that estimates varied very greatly.

He drew attention to the statistics prepared by Dr. Durand, of the Department of Commerce, on the situation of the principal industries in the United States. He would be very glad to furnish them to any members who desired to have them. They might be helpful as indicating what he had endeavoured roughly to outline. The American members of the Conference hoped to be helpful, though they had no advice to offer.

M. de Peyerimhoff (France) expressed his satisfaction that the representative of the United States had been good enough to support this Conference with their sympathy and encouragement. The brilliant prosperity in America was due, he thought, less to individual or technical superiority than to an *ensemble* of circumstances which he ventured to enumerate. First of all, they had a magnificent internal market of a size and quality unknown to any European State, which allowed businesses to change their equipment under such conditions as alone could give them the assurance that they would sell immense quantities of their mass production. Another advantage of the United States was their great individual and collective purchasing power ; and a third psychological and moral factor could be added to these. This was the general faith in the prosperity and progress of the country, as well as in the possibility for each member of the community to share in this prosperity. This conviction had brought about the retreat of the spirit of class warfare in the face of that of solidarity in a country where capitalism had reached the height of its prosperity.

In examining to what extent these fundamentals of American superiority could be appropriated in Europe, the speaker stated that since the calling of this Conference there had been some improvement in the economic situation ; certain monetary problems had ceased to be acute, and the problem of financial stabilisation could be considered as practically solved. What was still required in Europe ? The reduction of the costs of production, wider markets, and, finally, that sentiment of solidarity which was still not sufficiently strong.

Everyone knew the reasons why the costs of production were at present too high. Everyone knew that the remedy lay in rationalisation in its various forms. Now, rationalisation was primarily an individual question, then technical, then national, and, finally, probably international. It called for intelligence, money and good will, and concerned not only industrialists. Science and the working masses would benefit by its operation in view of the stability of employment and the increase in real wages which it ensured. Without the workers' support and without the scientific organisation of labour, rationalisation had little hope of success, and it was a sign of the times that the workers had supported the efforts of the Institute of Scientific Management. National professional agreements would likewise remove ruinous and unreasonable conflicts, and would diminish general and commercial expenses.

The narrowness of the market was a disadvantage common to all, and they must endeavour to improve national markets by increasing their purchasing power, as general prosperity resulted from the extension of the market. The prosperity of agriculture was a basic condition, and no one could say that the enrichment of agriculture was unconnected with his own prosperity. Then an increase of wages and suitable remuneration for officials was necessary whenever possible.

But Europe was small and impoverished by the war, which had only hastened the loss of equilibrium as compared with the New World. Europe was crushed by fiscal and social burdens; it was difficult in her old age to start afresh. It is not easy to restore an old house. The unkindness of circumstances had surrounded her with new barriers. Here was the connection between their Committee and the Committee on Commerce; they were both anxious to work for more moderation and order in the free distribution of products.

If they wished to increase their markets, they must first of all get Governments to lower the excessive Customs barriers. Public opinion seemed to have attached too much importance to the question of international agreements. The Committee would weigh their merits and defects. The speaker thought that the balance would be on the right side, but it must not be forgotten that before international organisation there was national and, in the very first rank, industrial organisation.

The sense of solidarity must be brought from the intellectual or sentimental realm into that of practical realities. They must endeavour to establish it between nations, in view of the recent crisis, which had made the victor just as unfortunate as the vanquished and unable to enjoy his privileges owing to the misfortunes of his neighbours.

M. de Peyerimhoff saw a sign of solidarity in the presence at Geneva of so many delegates. This tended to show that they had really understood that general prosperity was a vital condition for their own individual prosperity. Even if they failed to find new, enlightening formulas, the delegates would not have wasted their time if faith in prosperity and the feeling of solidarity which they had greeted so joyfully could only be developed.

M. Jouhaux (France) said that it was essential that at the basis of economic reconstruction should be a broad application of principles of social justice.

He considered that the raising of wages should be a preliminary and not a consequence of reconstruction, and American experience justified that point of view. Referring to the statement made by M. Loucheur in the plenary Conference, he pointed out that, in the United States, wages represented 52 per cent of the total income; this wealth of the workers themselves formed the basis of the prosperity of that country. There were, moreover, many countries in Europe in which the eight-hour day was not enforced, and

this was a cause of impoverishment, for the leisure of the workers was an important factor in increasing their consuming power. In many European countries wages were below the subsistence level and were paid with undue delay, which reduced the purchasing power of the home market and which tended towards bringing about the paralysis of consumption. He was not pleading any case for special interests; it was not a case of special interests, but a general, a national and an international interest. Practical proposals were expected from this Conference, and he believed it would be possible to arrive at them in the course of the discussions. Though not attaching undue or exaggerated importance to machinery, he did feel that, if the labours of the Conference were not to remain a dead letter, some special organisation should be evolved to put into effect the labours of the Conference, which the public was following closely. Any effort in favour of cartels would be vain unless, simultaneously with the development of industrial ententes, provision was made for a supervisory organisation, or, at least, for a degree of publicity which would permit of the intervention of public opinion for the prevention of abuses.

He urged members not to enter upon their labours in a spirit of hostility to any of the ideas that might be brought forward.

Mme. Emmi Freundlich (Austria) agreed with Mr. Robinson as to the magnificent prosperity of the United States, but she thought that that prosperity was the result of the conditions which already existed. Formerly Europe used to send workers to the United States, and received money from those workers.

Little had been said about the rationalisation of consumption. Yet there was no field in which there was greater waste than in the distribution of the product from the producer to the consumer through the several commercial channels. Capitalism, which in its early days was in favour of entire, unlimited freedom, had now learned a lesson from the workers and from the consumers, and now the employers themselves were organising. Rationalisation was, in the last resort, a question of organisation. It was particularly desirable to have every class of interest organised. The difficulty arose when some interests were organised and some were not.

It was necessary to have an understanding between the industrial producer and the consumers. In Vienna, the number of distributors had multiplied threefold since the war and, as this became very expensive for the consumer, there was a great need in that field for organisation and rationalisation. There was a field for the rationalisation of demand and of the selling of small quantities.

There were only two possible methods: uncontrolled liberty or complete organisation. They must choose between them. The workers feared the effects of cartellisation, but the consumers' organisations could, if need be, lessen the disadvantage of industrial ententes.

THIRD MEETING

Held on May 10th, 1927, at 10 a.m.

Chairman : Dr. F. HODÁČ (Czechoslovakia).

GENERAL DISCUSSION (*continuation*).

M. Lammers (Germany) summarised the discussion which had taken place during the first two meetings and, after having examined the various declarations made by his colleagues, said he thought that many mistakes had been made in the past by all countries. In order to repair these mistakes, it was necessary to bear in mind certain fundamental principles.

M. de Peyerimhoff had rightly said that the difficulties of the present position were not all due to war and post-war conditions, but that they were also to a certain extent the result of economic conditions which would have given rise to these difficulties even without the war. The war, however, had played a great part in recent developments, and in particular it had increased the difference which existed between the situation of the European and American continents.

Since 1914, Europe, from being a creditor, had become a debtor. The American nation had known how to derive advantage from the position, but it would never have attained its present prosperity without its great natural wealth and economic resources. Europe received in 1914 for her investments abroad the modest interest of 4 per cent. She was now paying on her debts an interest of about 10 per cent including charges. It might be said without fear of exaggeration that the rate of interest had increased 100 per cent. For this reason, it was absolutely necessary to find a way of establishing a better equilibrium between the debtor and the creditor countries, since the economic activity of Europe was gravely prejudiced by the burden of debts, which prevented her development by depriving her of the capital necessary for long-term investments.

M. Jouhaux had said that it was necessary to increase wages if a revival of production were desired. The question was, unfortunately, not so simple as M. Jouhaux believed. It needed, on the contrary, a very serious and detailed study. It must not be forgotten that the problem was not to find solutions in the exclusive interests of employers or workers but in the interests of Europe as a whole. In Germany, these questions were studied on a scientific basis, and he himself kept in continuous touch with the organisations of employers and workers.

It was clear that the exporting industry of a country which depended on a foreign country for its raw materials would, if it were the only country to increase wages, be unable to enter into competition with the industries of other countries, since it could not, without incurring the risk of being ruined, increase its costs of production. The question could not, therefore, be regarded from a purely national point of view. It was a problem of European interest. He would be grateful to the representatives of the workers' groups who were attending the Conference if they would examine this question with care, as the employers were extremely anxious to find a solution which would be satisfactory to the workers' delegates. With regard to rationalisation and cartellisation, he would first point out that an adequate circulation of money was as indispensable to the life of a country and to the normal

working of the capitalist system as the circulation of the blood to the human body. A good circulation, however, implied facilities for trade. In order to obtain this result, the Committee on Industry must ask the Committee on Commerce to endeavour to suppress all the barriers which impeded the regular circulation of capital and goods in the veins of the economic system.

Industrial organisation must not be regarded as the final remedy. It was necessary, in this connection to enlighten public opinion.

In America, individual possibilities were far greater than in Europe, owing to the natural resources of the country. In Europe, the industrial combinations must be more strongly organised, because their field of activity was less extensive. Their activity must accordingly be regulated unless they were to degenerate into a merely chaotic movement.

He quite understood that the workers desired to participate in studying the development of cartels, but he thought that it would be dangerous for them to intervene in the details of the working of these organisations and, above all, in the fixing of prices. He would remind the Committee in this connection that, in Germany, when, owing to the shortage of coal, it had been necessary to appoint a mixed organisation to control sale prices, the workers were always ready to support increases which they knew would correspond with an increase of their wages.

The consumers also desired to exercise a control and to give their views on these industrial combinations, but every consumer was usually a producer. The consumer was only really represented by the State, but experience had shown that State control was injurious to production. The Conference would do well to leave on one side academic discussions in order to consider the practical aspect of the problem.

As regarded rationalisation, he would confine himself to some general observations. The success of rationalisation in Germany was due to the hard necessity which had compelled the German people to do everything in order to overcome their extraordinary difficulties. The sincere collaboration of the workers, which had involved great sacrifices, with the object of setting up the proposed organisation was one of the most remarkable phenomena of this period. Rationalisation could only be effected if the nations succeeded in establishing in one way or another a division of labour in Europe, but the Conference should emphasise the necessity of rationalisation in spite of the difficulties which it entailed. In the Committee on Commerce, M. Serruys had spoken in favour of freedom of trading, but he had made certain reservations regarding the sovereignty of States. He himself considered that it was necessary also to take into consideration the economic sovereignty of Europe as a whole.

M. Loucheur had also alluded to political security, which must be assured before any solution of the economic crisis was attempted. He himself thought that political stability and security depended, above all, upon the economic position.

Science had resulted in bringing peoples together from the economic point of view. A man who

travelled in Germany fifty years ago had to cross about fifty Customs frontiers. But then had come the steam-engine and later the telephone, and, finally, wireless, to which in some countries there had been opposition. Other countries, however, had adopted it, and by their foresight had helped to facilitate economic progress. Nowadays, German bankers sent their orders to the London and Paris markets within half-an-hour. Since it was now possible to make petrol from coal and artificial silk from cellulose, it seemed clear that technical progress could go further. In conclusion, he would emphasise that all commercial barriers and all impediments to the free distribution of products must be abolished, if the economic prosperity, which the world so greatly desired, was to be attained.

M. Lepsé (U.S.S.R.) said that, while analysing the distressing economic situation of the capitalist countries of Europe, the majority of the speakers has passed over in silence a chronic economic crisis which was taking place in these countries, a crisis which had a special significance in the eyes of the representatives of the revolutionist trade unions, since it fell with all its weight upon the working classes. The inadequacy of the purchasing power of populations and the shrinking of the capacity of the internal markets produced chronic unemployment and a continual lowering of the material well-being of the proletariat and peasantry.

More than half the population in the industrial countries of Europe were composed of wage-earners, and it appeared that, in order to settle these questions, it was indispensable to consider first the problem of wages and the problem of unemployment, which in Europe affected nearly twenty million persons, including the families of the unemployed. Hitherto, however, no reference had been made to these matters by the representatives of industry. On the other hand, the workers were being asked to make further sacrifices and were being urged to show patience and to collaborate in order to rescue the capitalist system from the dilemma with which it was faced.

M. de Peyerimhoff, in his speech of May 9th (Second Meeting), had urged the workers to renounce class warfare and the defence of their vital interests for the benefit of the industrialists. They were asked to collaborate with the middle classes, while economic and police pressure was being brought to bear upon them in all capitalist countries.

He would point out that the Washington Convention had not been ratified and that the eight-hour day had been abolished at a time when wages were lowered for various reasons. This double tendency could only diminish the purchasing power of the working classes.

Certain countries were either suppressing trade unions or curtailing their liberty. The English Government desired to restrict the rights of the trade unions and particularly the right to strike; the Norwegian Parliament was examining a scheme for compulsory arbitration which would limit freedom to strike; at Hamburg and at Leipzig,

the strike in the textile industry proclaimed by the unions had been prohibited. Such facts could not be removed by idyllic conversations on economic peace and close collaboration. Capitalist rationalisation meant for the working classes only a more intense exploitation of labour, i.e., the establishment of production on the basis of a minimum wage per unit of production. This would inevitably increase the number of unemployed. Workers had thus to be on their guard and to demand an extension of production, an increase of salaries and the reduction of the working day to six hours.

Whether the cartels were subjected to supervision or not, they would necessarily lead to a new increase in prices, apart from the difficulties to which they would give rise between the industrial and agrarian countries. He regarded international cartels as a new form of monopolistic capitalism, which would, in the first instance, enable the employer of labour to conduct an offensive against the working classes.

He considered that, in presence of the crisis with which the world was faced, there was only one solution, namely, the nationalisation of the principal branches of industry, of the banks and of the land. It was only by proceeding in this direction that it would be possible to develop and make more healthy European economy in the interests of the masses and of society as a whole.

He thought it was indispensable to restore the normal working day of eight hours, and the working day of six hours in occupations in which the work was arduous or injurious. It was necessary also to increase wages and to organise unemployment relief on the basis of at least 50 per cent of the wages paid. This alone would ensure to trade unions freedom and the right to strike.

He was the only representative of the revolutionary syndicalist movement at the Conference. M. Jouhaux and his colleagues recognised the principle underlying the capitalist system, and were endeavouring to convince employers of the utility of increasing salaries in the interests of capitalism. He himself did not believe that any employer would voluntarily raise the wages of the workers with the sole object of increasing the capacity of the market.

M. Jouhaux had omitted to say at whose expense the economic peace which he desired could be realised. Past experience showed that employers had always made use of the collaboration of the classes in their own interests, whereas the working class had only been rewarded by a systematic lowering of their material and legal position. Everything led him to believe that the speeches of M. de Peyerimhoff and M. Jouhaux masked a new offensive against the working classes which the formula of "collective collaboration and economic peace" served to conceal. He would say, in conclusion, that it was not the collaboration of the classes but a struggle for the unity of the professional trade-union movement and class warfare which would enable the working classes to improve their position.

FOURTH MEETING

Held on May 10th, 1927, at 3 p.m.

Chairman: Dr. F. Hodáč (Czechoslovakia).

1 — CONSTITUTION OF A SPECIAL STATISTICAL COMMITTEE.

The Chairman asked the industrial statistical experts to send in their names to the Secretariat in order that a special committee might be constituted.

2. — POSSIBLE CONSTITUTION OF SUB-COMMITTEES FOR VARIOUS INDUSTRIES.

M. Mertens (Belgium) reminded the Committee that he had already proposed to constitute special committees to examine the first item on the agenda (Position of the Principal Industries). This question had apparently been provisionally reserved. He expressed the hope that the proposal regarding Item 3 of the agenda (Possibilities of Action, Information) would not share the same fate.

The Chairman replied that the constitution of special committees depended on the number of experts desiring to examine a special industry. The conclusions of the experts who had specialised in the study of industrial statistics would serve as a basis for the discussion of the plenary Committee.

3. — LENGTH OF SPEECHES.

The length of speeches was limited to fifteen minutes, in accordance with the proposal of Dr. Zimmerman.

4. — GENERAL DISCUSSION (*conclusion*).

M. Jouhaux (France) regretted that he had to reply to certain attacks made against the workers.

During the third plenary meeting of the Committee, M. Lammers had opposed certain views put forward by the workers' representatives, but M. Lammers had regarded the question merely from the point of view of the employers, whereas it was necessary to distinguish between general interests and special interests.

The workers' representatives had come to the Conference not with any hidden plan but in order to seek a remedy for the opposition of the national economies to one another.

The problem of world economic reorganisation could only be solved on an international basis, and the Economic Conference was in a way a logical sequel of the International Labour Conferences.

Rationalisation presupposed not only a perfecting of methods of the production and distribution of commodities. It must also be applied to conditions and hours of labour and wages, and these were all questions which were henceforth of an international character.

The workers' representatives wished merely to indicate the direction in which it would be necessary to proceed in order to reach solutions in conformity with the general interest, and for this reason they asked, in agreement with public opinion, that international agreements should be submitted to measures of control which, while sufficiently elastic, must be effective in protecting the consumer.

In reply to the Russian delegates, he would urge that, in order to work usefully in a conference, it was necessary not to have two attitudes, one dictated by necessity and the other by considerations of propaganda. He had understood from previous plenary meetings that the Russian representatives had formally declared that they were ready to collaborate in the work. If the declarations which they had made at the third meeting of the Committee were to be regarded as final, it must be assumed that such a collaboration was impossible. Perhaps, however, this attitude was dictated purely by propagandist motives. He had, at any rate, been glad to hear the representative of the U.S.S.R. at a plenary meeting enumerate ten or eleven points which were to be regarded as the conditions of Russian collaboration, since these principles were the same as those which, in 1919, at the reconstruction conference of the Trade Union International, had been put forward by his friends as the basis of economic reconstruction. Since then, it was to be regretted that the representatives of the workers of the world had not enjoyed the collaboration of the Russian organisations in working towards success.

Moreover, liberty for labour to organise itself did not exist in the U.S.S.R. according to the idea generally admitted in Europe. Such liberty could not be made conditional upon adherence to any party.

The eight-hour day was not fully applied in Soviet Russia.

Finally, as regarded protection against accidents and health conditions of labour, and as regarded respect for human dignity, he and the groups which he represented had urged the application of these principles at the International Labour Office.

He would conclude by saying that, in spite of the attacks to which he had been subjected, he and his friends would continue their efforts until they had achieved their idea of social equality and justice.

M. Gigurtu (Roumania) said that the war had given rise in the political field to a tendency towards collaboration. In the economic field, on the contrary, the tendency had been for each State to become self-sufficient, and finally there had been a tendency within each country for Governments to interfere in private economic arrangements. The contradiction between these three tendencies was obvious.

The political aim of the League of Nations was difficult to achieve without an economic understanding, towards which the efforts of the present Conference were directed. Public opinion was beginning to realise more clearly the necessity of collaboration between the nations. The States had been forced during the war to become self-sufficing. When the peace came, they gave to their new war industries a certain measure of protection, but they forgot to take account of two important elements, namely, price and competition. The best method of procedure would be to seek first of all for an international economic understanding, and to go on to the introduction

of international labour regulations, in order to achieve in the final resort a political international understanding.

The intervention of the Governments in private economic life contributed to increase the cost of living and to diminish production. It was accordingly necessary to convince the States that they were going in the wrong direction, and that all impediments to production and distribution, both within the countries and from one country to another, rendered life more difficult and consequently prejudiced international relations. It would be very useful to enlighten public opinion on the actual results of the protectionist policy, since it was clear that there could be no idea of creating an international organisation which would act by measures of constraint.

M. Olivetti (International Chamber of Commerce) noted that, in spite of the worldwide character of the Conference, the discussion had turned chiefly upon the European situation.

In spite of the criticisms formulated by the Russian delegates against the capitalist regime, Soviet Russia was suffering from the same evils as the other European States. The disequilibrium by which the world was affected, and particularly the disequilibrium between production and consumption, might be noted also in the U.S.S.R. and this disequilibrium had in that country assumed more striking proportions and had resulted in consequences which were more evident than they were elsewhere. According to the statistics of the League of Nations, European production at present amounted to about 120 per cent of production in 1913. The Russian statistics showed that the production of the U.S.S.R. amounted to only 97 per cent of the pre-war production. It was true that, in Russia, the agricultural production of the small private owner had attained, and even surpassed, the amount of production before the war, but in the large State enterprises production had fallen from 6,845 million roubles to 3,569 million roubles, which amounted to a decrease of 52 per cent. On the other hand, while, in America, the purchasing power of the workers had increased 42 per cent in comparison with pre-war figures, the official statistics of Soviet Russia showed that in that country the purchasing power had only increased about 10 per cent. Finally, the cost of production in Russia had increased at least 200 per cent in comparison with the pre-war figures. Prices were certainly higher than those which prevailed in capitalist States, and the various costs to be added to the costs of production amounted in Russia to 69 per cent for wheat, 36 per cent for butter, 74 per cent for eggs, and 44 per cent for milk. Russia was no more protected from unemployment than the capitalist countries. Like them, she suffered from the lack of capital, and in order to meet this difficulty use had been made in Russia, as elsewhere, of the State budget and the issue of paper money. He considered that the evils from which Europe was suffering were still more marked under the communist regime.

Everyone was looking at present towards America, but, as regarded rationalisation and wages, the problem presented greater difficulties in Europe owing to the factor of population. The resolution to be adopted on this matter by the Committee should take account of the necessity of rationalising industry by a decrease in all the elements of the cost of production, care being taken, however, to avoid any decrease in wages or increase of unemployment.

Sight must not be lost of the problem of the consuming and producing communities, for there were producing States and consuming States. The question of the rationalisation of industry and that of industrial cartels must be looked at from this point of view.

He would invite the Committee to beware of scepticism, and he expressed the view that the disputes which might arise in regard to industrial understandings might be settled by the arbitration of the International Chamber of Commerce.

M. Wessel (Norway) said that the whole world was agreed as to the utility of rationalisation, but he would add that there were very great differences between the industries of the various countries.

He himself owned factories in Norway and the United States. He had noted that rationalised and serialised production was possible in America, where the population was homogeneous, but virtually impracticable in Europe. In regard to waste, he was sure that this factor was more serious in America—at least, in the factories where wood pulp was made—than it was in Europe.

He would conclude by expressing the wish that the Committee would not confine itself as regarded rationalisation to adopting a resolution of a general character, which would have no practical significance.

Baron Kornfeld (Hungary) said that two general ideas had emerged from the discussion. One was the advantage of extensive economic territories, and the other was the utility of international industrial ententes. The common bond between these two ideas was the lowering of the cost of production by the centralisation of production and the reunion in a single economic territory of countries which were now separated by Customs barriers, behind which national cartels had developed.

The aim of Customs barriers had been to equalise differences resulting from the soil, from the climate and from conditions special to agriculture, and to enable the population, which was continually on the increase, to find a means of subsistence. Thus, in Hungary, 4,450,000 individuals, or 55 per cent of the total population, cultivated 6,300,000 hectares, which worked out at 1.6 hectares per head, as compared with 3 hectares in Denmark, 2.3 in France and 2.1 in Germany, and 1 in Italy. The excess of births was 11 per thousand, a figure which was higher than that of Italy. It was accordingly clear that the problem of population would not be settled in Hungary by the suppression of Customs barriers and centralised production. Centralisation would enable the costs of production to be lowered, but would increase unemployment. This was the reason why in many countries workers were in favour of Customs protection.

International industrial ententes, so far as they were moving in the direction of the centralisation of production, which appeared to be their object, would have, from the point of view of unemployment, results as deplorable as those brought about by Customs unions. It might be feared that irresponsible groups would endeavour to indulge in economic aggressions as serious and as difficult to suppress as the political aggressions referred to in Article 10 of the Covenant of the League of Nations.

Perhaps it was premature to settle at present the problem of cartels. Moreover, the old Customs method, in spite of its defects, appeared to be better

calculated to produce in the world if not more prosperity at least less poverty.

It was, moreover, impossible to cite the example of the United States without taking into account their great natural wealth.

He would conclude by stating that the European question could not be settled only in Europe. It was necessary to find new markets both for men and for goods.

Mr. A. Pugh (British Empire) said he agreed with the previous speakers in looking towards an increase of production. It was necessary also to consider an increase of consumption, which could only be obtained by raising the standard of living of the workers and consequently their purchasing power. This was the direction in which the British workers' organisations were working in the International Labour Office.

Cartels were implicit in economic evolution. He accordingly thought it useless to oppose their creation. It was necessary, however, to protect the workers and the consumers against any risk of exploitation.

He agreed with M. Jouhaux that the speech delivered at the third meeting of the Committee by the delegate of the U.S.S.R. was propagandist in character. The workers favoured production, but asked for more information as to results. Waste was due above all to defects in the systems of labour, and often arose from the fact that the workers were ignorant of the economic position, the internal administration of the factory and the processes of production.

The Conference would not have been in vain if it resulted in acquainting the working class and international circles with the facts.

M. Mertens (Belgium) regretted that certain industrialists had expressed themselves in regard to the working classes in terms which he could not approve. M. Lammers had, in some of his speeches, given an impression that the workers were hostile to rationalisation, whereas, on the contrary, the workers had always aspired after a perfecting of production in order to be able to diminish the hours of labour. It was important,

however, to find a means of marketing the surplus produce to which rationalisation would give rise if it were desired to avoid an increase of unemployment, such as had been the case in Germany. If the problem of markets were neglected, there would not be ten million but twenty million unemployed in the world.

It was natural that the miners, as M. Lammers had said, should accept an increase in the price of coal if such an increase led to an increase of their wages. But such an increase was not a remedy unless it were brought about in all branches of production.

Mr. Robinson's speech had shown the necessity of a certain supervision over the ententes. For those who were at the head of the trusts in the United States had committed abuses, and Congress had been obliged to legislate in order to put an end to these abuses.

The establishment of the eight-hour day in all countries was absolutely necessary to the economic reconstruction of the world, and the introduction of rationalisation must not serve as a pretext for opposing this reform. Moreover, rationalisation would not be acceptable to the working classes unless unemployment allowances were provided.

It had been said that, if the situation was better in the United States, it was because the class war was unknown in that country. The class war, however, would last as long as the capitalist system.

In many countries, industries created during the war could not be maintained without special protective measures which were not in conformity with the general interest.

He would suggest that, after the general discussion and the discussion of the various items on the agenda, a sub-committee should be instituted to frame resolutions which might be adopted by the Economic Conference as a whole.

The Chairman said that the general discussion was at an end.

FIFTH MEETING

Held on May 11th, 1927, at 10.30 a.m.

Chairman: Dr. F. HODÁČ (Czechoslovakia).

1. — APPOINTMENT OF DRAFTING COMMITTEES AND THE PROPOSED APPOINTMENT OF SUB-COMMITTEES FOR THE VARIOUS INDUSTRIES.

The Chairman reminded the Committee of the proposal made on the previous day by M. Mertens for the appointment of Drafting Committees for questions relating to rationalisation, industrial agreements and industrial statistics. These three Drafting Committees would be composed of the Chairman, the two Rapporteurs and certain members to be appointed.

The majority of the delegates did not appear to think that the appointment of the Sub-

Committees suggested by M. Mertens for the various industries was advisable.

Sir Max Muspratt (British Empire) and M. Loucheur (France) agreed with the Chairman.

2. — APPOINTMENT OF A THIRD VICE-CHAIRMAN.

The Chairman proposed to strengthen the officers of the Committee by appointing a third Vice-Chairman in the person of Mr. Arthur PUGH (British Empire), a member of the General Council of the Trades Union Congress.

This proposal was adopted.

3. — DISCUSSION ON RATIONALISATION.

Dr. Curcin (Kingdom of the Serbs, Croats and Slovenes) emphasised the dangers which, in his opinion, would result from excessive rationalisation.

The example of America was not decisive, as the position of the United States was not comparable with that of Europe. Europe did not constitute a compact State, but consisted of a number of little countries whose economic evolution was not even uniform. Europeans, with some reason, showed a certain resistance to the process of unification, standardisation and simplification. They did not appear to welcome the abandoning of individual styles of production or the acceptance of the American system of uniformity. There could be no idea of surrounding the whole of Europe with Customs barriers in order to protect its industry against external competition, as the Americans had done. Finally, America had at its disposal enormous capital, whereas Europe was in need of capital and was overwhelmed with debts, a circumstance which compelled her to produce for export since, when a country had no gold available, it must settle its debts in goods.

Rationalisation could only be slowly achieved at the cost of certain sacrifices and by basing itself solidly on realities.

M. Mauro (International Institute for Scientific Management) said that scientific organisation excluded any idea of the restoration of pre-war conditions, as it was necessary to take account of technical progress, which had completely changed the aspect of industrial problems.

Every industrialist thought that his own factory was working upon rational lines, otherwise he would change his methods. Certain employers, however, thought that the maximum of rationalisation corresponded with a maximum profit for themselves, and they neglected the general interest and the interests of the workers. Scientific organisation, however, as a positive force, involved collaboration between the employers and the workers.

If an attempt should be made to co-ordinate the various factories in a particular branch of industry, it was important also to co-ordinate all the productive activities of the same country. Scientific organisation applied equally to big undertakings as to the small and medium-sized undertakings. It was applicable even in households.

Serious attempts at scientific organisation had been made in several countries, and particularly in Germany.

Standardisation enabled industrial organisation to be transformed and the costs of production to be lowered.

M. Obolenski-Ossinski had emphasised the danger of increasing the number of unemployed. Nevertheless, since 1918, Lenin had asked the workers to abandon certain obsolete conceptions and to adopt the view that only an increase of production could free the Soviet Union from its difficulties.

Doubtless a temporary increase of the unemployed and a decrease of their purchasing power were possible, but this was a temporary disadvantage of a method whose advantages were, on the contrary, permanent.

Passing to the demographic question, he would like to say that he had always admired Frederick the Great, who had succeeded in transforming the desert marshes of Brandenburg into fertile land. Certain countries were still ignorant of the use of artificial manures and selected seeds. There was also wastage in the use of coal for domestic needs. Another source of loss resided

in the great number of intermediaries and the irrational distribution of foodstuffs.

With regard to Customs questions, scientific organisation was based neither on protectionism nor on free trade, but it was hampered by the instability of tariffs.

He next examined the attitude of workers, and employers' organisations, of politicians, Governments and of the Second International in regard to scientific organisation, and showed that all had ended by accepting — though sometimes, it was true, with some reservations — the modern principle. The American Federation of Labor, after its disputes with Taylor, had accepted the new method. As to the Third International, regarding which it was difficult to form an opinion in view of the declarations, sometimes contradictory, made by its representatives at the Conference, he would refer to the words of Lenin which he had quoted, and he would point out that some sixty local Russian organisations were endeavouring to bring about scientific organisation, with a central committee at Moscow as a nucleus. As an Italian, he was happy to note the sympathetic attitude of the Fascist organisations. Article 8 of the Labour Charter contemplated the improvement of production and the lowering of the costs of production. The Secretary-General of the Christian Trade Unions had declared at the Conference that it was necessary to safeguard the dignity of the worker, but the scientific organisation of labour was in no way contrary to this dignity. As to the employers' organisations, it had been easy to obtain their adherence, as industrialists knew from experience the benefits of co-ordination between the various enterprises in a single industry. Of the politicians it might be said that they all had relations with the workers' or employers' groups. Finally, the Governments, unless they were embodied in a single man, would always be the last to deal with the scientific organisation of work. It was public opinion, however, which must be converted, and he was happy for the opportunity which enabled him to make use of it.

The means of action which he thought might be recommended could be summarised in the formula: International documentation and propaganda; national application.

It was essential to abandon the fetish of secrecy in manufacturing processes, which had only been justifiable at a period when the processes were purely empirical; scientific progress entailed that the industrialist had an interest henceforth in publishing his secrets in order to learn the secrets of others.

In conclusion, the problem was not so much to transform the factories as to transform the mentality of those concerned, and in that way to work for an improvement in the standard of life of all the classes which were interested in production.

M. da Cunha Leal (Portugal) said that Europe was asking to be helped by means of the rationalisation which had already been effected in America and which must first of all lead to a reduction in the costs of production. If this were admitted, two hypotheses were possible. Either production would be the same in amount as at present, and in that case standardisation would increase the purchasing power of each worker but would increase also the number of unemployed; or production would appreciably develop, raising the standard of living of the worker, without increasing, and possible even decreasing, the number of unemployed. In the latter case, the result would be magnificent.

Taking as a basis the data given in the memorandum C.E.I. 19, *Summary Memorandum on Various Industries*, however, he did not think that Europe lacked capacity for production, but markets.

Even, however, if European production, thanks to rationalisation, succeeded in lowering the cost of production, it could not easily acquire external markets, since the countries which had introduced new industries, profiting from the exceptional conditions created by the war, would find ways of defending these industries to the last, and those countries which, like North America, had invaded a portion of the former European markets were doing too well to abandon them.

Europe accordingly would be wise to rely in the first instance on her internal market and to increase its consuming capacity.

Mr. Layton had referred at a plenary meeting of the Conference to the possibility of a triangular commercial policy, the aim of which would be to use the natural products of tropical countries with a view to the liquidation of the position of America as the creditor of Europe. The American delegation, on the other hand, had said nothing on this aspect of the matter. If,

however, this possibility was to be realised, it would involve for Europe American competition in the colonial markets for the acquisition of raw materials.

The principles of rationalisation must accordingly be applied without exaggeration if still more serious crises were to be avoided for Europe. Rationalisation implied standardisation, and standardisation, if consumption remained unchanged, led necessarily to national and international cartels.

He associated himself in principle with the institution of an effective control by the State of industrial agreements, but he wondered whether this method did not risk being ineffective in the case of international cartels unless the country concerned agreed upon the exercise of a common supervision.

Economic agreements and the consequent political agreements to which the cartels might give rise between groups of nations also involved a danger of war. He thought that all the nations must be placed on a footing of equality and that each must endeavour to think of the interests of the small countries in order to avoid new causes of division.

SIXTH MEETING

Held on May 11th, 1927, at 3 p.m.

Chairman : Dr. F. HODÁČ (Czechoslovakia).

1. — DISCUSSION ON RATIONALISATION (continuation).

The Chairman observed that it was essential for the Committee to finish that afternoon, and he suggested that the speeches of delegates should be limited to five minutes, though exceptions might be made to this rule.

Baron Chuzaburo Shiba (Japan) said he wished to call the attention of his colleagues to the two following points: (1) the rational utilisation of resources, such as the raw materials which were essential to industry; (2) the internationalisation of standards in the mechanical and technical field generally.

The first question was of the greatest importance. The new generation must endeavour, for utilitarian and even for moral reasons, to put an end to the present waste of raw materials. The inequality in the distribution of natural wealth was the cause of the present disequilibrium and had always hitherto been an obstacle. It was necessary to avoid any step which might lead to monopolies or impair the supply of raw materials at the source, such as coal, mineral oil and petrol, the free distribution and fair use of which must be assured. Moreover, the quantities of these natural resources being limited, it was advisable to undertake researches with the object of improving methods of exploitation and use of these and other products, so as to reduce waste to the minimum.

It was also necessary to encourage enquiries which might lead to increasing the use, both

as raw materials and as motive power for industry, of natural resources which were unlimited in character, such as soil, air, water and the heat of the sun. The Committee would have abundantly fulfilled its task if it could reach an understanding with a view to securing a scientific and, so to speak, a moral use of raw materials. The question of foodstuffs might be settled according to the same guiding principles.

Passing to the second point, he would urge that the standardisation of raw materials and manufactured articles would have the effect of diminishing the cost of manufacture and sale. The Third International Conference on Standardisation, composed of the Chairmen and Secretaries of national standardisation organisations, which had been held at New York from April 15th to 22nd, 1926, had unanimously adopted the proposal to establish an international standardisation association with the object of preparing an international agreement on the uniformity of standards, chiefly by means of an exchange of information. This Conference had appointed a Committee composed of the representatives of seven countries, and it had sent circulars to twenty States in which there were national standardisation organisations asking for their collaboration.

It was highly desirable, if this work was to be accomplished, to ensure co-operation between the international standardisation organisations and the International Electro-technical Committee, since it was indispensable that technical standards should be international in character if considerable impediments to commerce were to be avoided.

He would recommend the establishment of an international organisation competent to undertake the unification of standards throughout the world, and he would draw the attention of his colleagues in this connection to page 14 of the document C.E.I. 13, *Scientific Management in Europe*, which was of special interest.

M. Trepka (Poland) expressed the opinion that the experience gained in different countries — in America and in Germany, for example — should be carefully studied and adopted to the conditions of other countries.

It was also essential to take into consideration the important factor of the personality of the worker whose role could not be reduced simply to that of a machine. The question of the unemployment which might be entailed in the process of rationalisation was also important. Rationalisation must be profitable, and the results expected must be commensurate with the disadvantages resulting from it. From the international point of view, rationalisation must not be allowed to become a source of jealousy between nations. The pooling of international experience was very valuable, M. Trepka paid a tribute to the work of the International Institute of Scientific Management, which was very interesting from this point of view. He drew attention to the enquiries into production carried out in Poland and Belgium. These enquiries had a legal basis. Very interesting enquiries on these questions had also been effected in other countries. He proposed the co-ordination and centralisation under the auspices of the League of Nations of studies concerning this question and an exchange of the experience and the information obtained by official enquiries into production.

Sir Arthur Balfour (Great Britain) said that the Committee had heard a very interesting discussion and that it was necessary now to draft resolutions to which, at the cost of some concessions, all the delegates might subscribe.

As regarded the work of the special Committee of Statisticians, he would recommend that a practical use should be made of the information which might be collected, failing which the persons interested would cease to furnish the necessary information. It would be well to publish these statistics every month, as far as possible in the form of an index, or in any other form which might be currently used by traders and industrialists.

The idea of rationalisation was not new, but it was necessary to hasten progress in this field, avoiding, however, any confusion between rationalisation and sterilisation which would strangle initiative.

With regard to cartels and industrial ententes, the first result would be achieved when the draft recommendations had been drawn up.

On currency, the Conference might put forth a definite declaration on the problems of stabilisation.

The Customs problems were being studied by the Committee on Commerce. The Rapporteurs might keep in touch with that Committee.

It was now too late to divide into three Sub-Committees, but it was desirable to appoint as soon as possible three Drafting Committees (Rationalisation, Cartels and Industrial Ententes, Statistics).

The Conference must publish a complete, concrete declaration of what its representatives considered the most effective collective action to be.

The Chairman announced that the appointment of the members of the Drafting Committees would be made at the next meeting.

M. Serrarens (Netherlands) said that, for the workers, rationalisation must not be confused with certain methods which would turn them into mere machines or which would involve over-work. It was necessary also to avoid unemployment, to increase markets and only to introduce rationalisation in full agreement with the workers' associations.

The British Delegation of Workers which had gone to the United States a year previously, in order to enquire into conditions of labour in that country, had observed that when a price was fixed for a certain piece of work the American manufacturer did not reduce that price. Any other policy would naturally justify the suspicion and hostility of the working classes. He thought it would be interesting to ascertain whether standardisation in America had been carried as far as was alleged.

The Christian Trade Unions would be happy to collaborate with any organisation which aimed at increasing wages and elevating the standard of life of the workers.

Sir Ness Wadia (India) said that he had not intervened in the general discussion, since the views of the Indian delegation on the economic position in general had been explained in a memorandum, and since India, so far as she was individually concerned, was not one of the countries which was most seriously affected by the present economic crisis. As, however, the memorandum on India — to the last paragraph of which he invited special attention — had not yet been distributed, he felt that he ought to take this opportunity of making a brief statement.

As regarded the free distribution of raw materials, he might say that India had put her increasing resources in raw cotton, pig-iron, etc., freely at the disposal of the world.

He quite agreed with M. Mauro as to industrial ententes and standardisation, as well as on the necessity of eliminating waste and securing the co-operation of workers in scientific management, to which in his own industry, that of textiles, great attention was being paid. In order to escape from the hands of the middlemen, it was necessary to endeavour in each industry to develop and increase the great connecting processes. This would give labour the opportunity of work on a higher technical plane, and not only of developing the skill, but also increasing the standard of life of the workers.

He was proud to state that India had fully honoured the obligations which she had contracted under the Washington Conventions concerning hours of labour and the employment of women and children. In the memorandum submitted by the Japanese members, attention had been drawn in that country to a state of depression which, from the point of view of other countries, would not be regarded as such. In that document there was no reference to hours of labour, but in India they were considerably less, and he could not understand the necessity for such long hours of labour in countries which complained that they suffered from over-production. If the Conventions were not observed, industrial progress as a whole would be arrested, including scientific management, the improvement of conditions and the technical education of the worker, and even a country like India might be obliged to increase its Customs tariffs.

In conclusion, he agreed with M. Mauro that the only remedies necessary to the progress of industry were the rationalisation of all its branches, the technical education of employers and workers, the standardisation of products and the

elimination of waste. He would submit a draft resolution in this sense¹.

Dr. Marie E. Lüders (International Women's Organisations) thought that the Conference, by dividing into three Committees for Industry, Commerce and Agriculture, had neglected a fourth division which was extremely important, namely, that of domestic economy. The majority of the articles manufactured were intended for domestic consumption in the home and the home played a most important part in the whole problem of production and commerce. Insufficient attention, therefore, had been given to the practical needs of the home. The speaker showed by examples the necessity for standardisation in this field. Domestic economy was a question of public and national and even international importance. Men must help women not to waste their time in household work which could be avoided.

M. Weiss-Wellenstein (Austria) said he did not see any reason for misgiving in regard to the rationalisation of industry even in small States. Austria congratulated herself on the efforts which she had successfully made in that direction. She had been able to lower her costs of production, which was a very important result, as Austria had been obliged after the war to export from 60 to 80 per cent of her industrial products. Thus, by rationalisation and the elimination of waste, Austria at present consumed less coal than before the war, in achieving an industrial production which was appreciably greater. He hoped that the Conference would obtain results in the direction of reducing and lowering Customs barriers, which were the great obstacle to the development of the Austrian export trade.

Mrs. Barbara Wootton (Workers' Educational Association) said that rationalisation should be a means of achieving prosperity. In a community consisting mostly of workers it should therefore reduce unemployment and increase wages. She did not think that improvement in labour conditions was a necessary preliminary to rationalisation. Europe was not in a prosperous situation. She did not lack the means to achieve prosperity, but suffered rather from a lack of organisation.

Consumption was not an independent entity which could be increased at will, but the organisation of producers had greatly outdistanced the organisation of consumers, and the Conference might endeavour to collect information on the steps to be taken in order to obtain a better knowledge of the needs of consumers.

Europe had a great capacity for production, but a large proportion of this capacity was devoted to the production of useless articles, and she thought that the Committee should adopt a resolution with a view to discovering means calculated to increase the mobility of capital and labour.

An industry better organised and more mobile generally reacted favourably on wages and in the long run on employment. Such was the opinion of the workers who had carefully studied the position. These efforts with a view to organisation and mobility could only be approved, however, if they were accompanied by a system of compensation for those who lost their employment similar to that which was adopted by the cartels in dealing with industrialists who were injured by the concentration of production.

The elimination of waste could only be slowly effected, as very many persons at present profited from this waste.

Mr. Robinson (United States) said that he did not claim that American methods of rationalisation could be generally applied to Europe. It had been said that the rationalisation of rival countries would prejudice America, but America, which did not believe in secrecy in industry, thought that there might be a real advantage in exchanges of information.

It had been asked how the United States could expect a continuation of present conditions unless they took payment from Europe in goods. He was surprised at the persistence of a legend which represented America as diminishing her purchases in Europe. As a matter of fact, the amount of American imports from Europe in 1926 had been 1,236 million dollars, or an increase of 50 per cent in comparison with the figure for 1913, an amount which was appreciably equal to the increase in price. The purchases of European products had increased more than the total imports from Europe, which formerly included a large quantity of products coming indirectly from other countries, and particularly from the Far East, with which at present the trade was direct. United States imports of manufactured goods came chiefly from Europe, and the value of these imports had doubled between 1913 and 1926. Moreover, according to European statistics, the exports of the five principal countries of Western Europe to the United States had increased 76 per cent from 1913 to 1926. The United States in this respect was much the most important market. The exports of these countries to other parts of Europe had only increased 14 per cent, and the exports to all countries except the United States had increased only by 27 per cent, a figure which was less than the rise in prices.

American tourists paid while they were in Europe for goods and services to the amount of 600 million dollars, of which a small portion was expended in the purchase of goods. The balance was devoted to retail purchase and to the payment of services, operations which left a greater margin for profits than commodity wholesale transactions. If the expenditure of tourists was taken into account, the purchases of the United States in Europe were much more considerable at present than they were before the war.

Europe, moreover, had indirectly benefited from the considerable increase of American purchases in other countries, since these countries received in exchange capital which, according to the theory of triangular markets explained by Mr. Layton, enabled them to increase their purchases in Europe.

Between 1913 and 1926, the total imports into the United States had increased by 136 per cent in value, or, discounting the increase in prices, 75 per cent. The exports of the twenty-nine principal countries to the United States had increased 174 per cent between 1913 and 1925, while their exports to other countries had increased only 49 per cent. The imports of the United States from South America had increased 160 per cent between 1913 and 1926, and imports from Asia 350 per cent. It was owing to the purchases of America in these countries that the European capital there invested had been able to earn considerable profits, in particular as regarded rubber. Moreover, the purchases of America in tropical countries increased the purchasing power of those countries, and Europe indirectly profited from this circumstance. Thus, America, which bought her coffee in Brazil, sent to Brazil three and a quarter times more capital than she received from Brazil. This explained how Brazil could buy from a European country three and a quarter times more than she sold to that country.

¹ See page 165.

Referring to Mr. Layton's enquiry, he would point out that it showed that the purchases of the United States in Europe were progressively increasing, and that a large proportion of the payments to America were made by means of triangular trade.

At the present moment, the export trade was not of considerable importance to the United States, except perhaps in respect of agricultural products, which represented only 8 per cent of her production. American exports had not increased in proportion to domestic consumption.

As to what the future held in respect of how the United States might expect to continue her position without receiving payment in goods, it was well to remember the historical example of England, which for several decades had succeeded in obtaining two favourable balances, one from investments abroad and one from industry and commerce. As regarded the application of rationalisation to Europe, the difficulty was to ascertain whether it was necessary first to proceed to the increase of wages or the increase of production. He would draw attention to another aspect of the question which had not yet been considered. History showed that the world had been more prosperous whenever it had been concerned with the development of new countries. Such development had a moral effect, and had particularly encouraged production, especially the production of capital goods¹. If it were possible to increase the production of capital goods, that would necessarily lead, by the raising of wages or otherwise, to the increase of the demand for other goods, since capital goods required, as a rule, considerable investments.

Real progress might be made by the exploitation and development of new countries, provided that the financial measures were previously placed upon a sound basis. A real development of new countries required, however, a certain number of years before its effect could be felt in the field of distribution, and he thought that during this period the position of Europe would probably be improved.

2. — APPOINTMENT OF A DRAFTING COMMITTEE FOR RATIONALISATION.

The Chairman proposed to appoint a Drafting Committee for questions of rationalisation. On this Committee, the Chairman, the Rapporteurs, the President of the Institute for Scientific Management, the President of the Governing Body of the International Labour Office and the authors of the various drafts which had been submitted (Mrs. Barbara Wootton, Sir Ness Wadia and M. Trepka) would sit, together with a representative of the workers' delegates.

This proposal was adopted.

3. — DISCUSSION ON RATIONALISATION. (continuation).

M. Weber (Switzerland) said that it was necessary to consider the effects of rationalisation not only on production but also on the psychology and the whole life of the people. In a large number of factories the workers were the slaves of their machines, and if, by rationalisation, workers would be obliged to furnish a greater supply of energy than before, the number of hours

¹ The term capital goods, used by the America delegation in a document circulated to the members of the Industry Committee refers to goods used to establish permanent plant and machinery for production. See speech of Mr. O'Leary in the 10th plenary meeting of the Conference.

of labour must be reduced, not only in the interests of the workers but in the interests of production itself.

At present, men more than 40 or 50 years of age were thrown aside. This practice, which was not in conformity with humanitarian principles, represented a considerable economic waste.

In order to render work agreeable to workers, it was necessary that they should participate in the control of production, of distribution and of the whole economic system. The increase of purchasing power must be brought about by an increase of wages and a reduction of prices, as soon as rationalisation was adopted and sometimes even before. In America, the increase of wages had sometimes led employers to adopt rationalisation, but in certain European countries wages were so low that labour was less dear than machinery.

He read the draft resolution which he had drawn up on this question¹.

M. Obolenski-Ossinski (U.S.S.R.), in reply to M. Mauro, said there was no disagreement between M. Sokolnikoff and himself as regarded rationalisation. The question, however, had two aspects. In the socialist industrial system, the workers possessed and directed their undertaking, whilst in capitalist countries the worker had no share in the control of the undertaking nor in its administration, and was quite simply, as his name indicated, a "working hand".

In Russia, every improvement was considered from the point of view of the effect on the life, intelligence and physical strength of the worker, and it was not adopted if it were contrary to the worker's interests. If the intensification of production in Russia deprived workers of their labour, the State guaranteed these workers either another employment or unemployment relief. Moreover, the increase of productive labour must imply an increase in wages, and must, at the same time, decrease the cost of production and sale, instead of tending merely to increase profits.

In Europe, however, the workers had no share in the direction and control of undertakings. It was therefore only by a keen struggle that the workers could obtain a system of rationalisation of the kind which had been adopted in Russia.

M. Jouhaux had said that the eight-hour day did not effectively prevail in Russia. He was himself the Chairman of the Central Statistical Administration of the U.S.S.R., and official figures showed that, during 1925-26, the average working day for the whole of Russia was 7.57 hours. He would be glad to know from what source M. Jouhaux had obtained his information.

M. Loucheur (France) asked the Russian delegates on what basis they calculated the average working day, quoted as being 7.57 hours. He also asked what was the amount of the unemployment relief in proportion to a normal wage.

M. Obolenski-Ossinski (U.S.S.R.) said that he would require time in order to reply to these questions.

M. Tayerle (Czechoslovakia) said that the Committee was considering rationalisation in its broadest economic, financial and social aspects, and not only from a purely technical point of view. It must be realised, however, that rationalisation demanded international collaboration, and that the sacrifices which it required must be justified by the results obtained. International cartels were efforts in the direction of rationalisation, but they were beneficial only if they led to an

¹ See page 165.

crease of production and to a decrease of prices, and therefore to an extension of the field of consumption without prejudice to the workers.

To increase consumption, it was necessary that the worker should be suitably remunerated, that his employment should be suitable, that his technical capacity and his social position should be improved. The workers would take an interest in these measures which would be all the greater if they were given a voice in the determination of questions concerning production and distribution.

The opposition shown sometimes by workers in respect of production was easy to understand if account were taken of the fact that rationalisation often led to a considerable increase of unemployment. The men who were thus deprived of their labour must be given opportunities of obtaining other occupations, and the problem of rationalisation was therefore closely connected with the problem of the freedom of trade and freedom of migration, as well as a sound regulation of the labour market. If, however, freedom of movement for the workers was limited by frontiers, it was necessary to contemplate insurance against unemployment, and this responsibility rested not only on the States but on the employers.

Rationalisation accordingly entailed the establishment of a new labour charter and a change in the existing social system in the direction of a democratisation of industry.

Professor Ludwig Noe (Free City of Danzig) said that rationalisation was only calculated to produce definite results if agricultural and industrial production could be successfully localised in the parts of Europe which were able to produce a certain article under the most favourable conditions and at the lowest price. Such a division of labour existed in the United States, whereas, in Europe, endeavours were made to be self-sufficing, in order to avoid unemployment and to ensure its economic independence in the event of war.

He did not think that the solution of the problem lay in the adoption of collectivist theories. Contrary to the contentions of the Russian delegates, the employers of Western countries were particularly anxious to secure for their workers healthy conditions and an improvement of their material position. As to workers' disputes, he would like to know to what extent the U.S.S.R. permitted its workers to press their claims, particularly by means of a strike.

Europe desired to reconstruct in peace and tranquillity the resources which had been destroyed during the war. Politics, however, often interfered with this desire, for Europeans had not, like the Americans, the feeling that they belonged to a great national unity with a common past and a common future.

SEVENTH MEETING

Held on May 12th, 1927, at 11 a.m.

Chairman: Dr. F. Hodáč (Czechoslovakia).

1. — DISCUSSION ON RATIONALISATION (conclusion).

Before closing the discussion on industrial rationalisation, the Chairman called upon M. Jouhaux to speak. M. Jouhaux wished to reply to a request for an explanation made by M. Obolenski-Ossinski at the sixth meeting.

M. Jouhaux (France) said that he had drawn the information which he had given in regard to the duration of the working day in Russia from a report of M. Kaploune at the fourth session of the Central Council of Russian Trade Unions which had appeared in the *Trud* of June 10th, 1926, and which had been reproduced in *Social Information*, a publication of the International Labour Office. He read a passage from this document in which it was shown that the common practice of working additional hours prolonged the working day in the U.S.S.R. well above the period of eight hours in most industries.

2. — DISCUSSION ON INDUSTRIAL ENTENTES.

Mme. Freundlich (Austria) recognised, with M. Lammers, that it was fairly difficult to establish supervision in regard to cartels. First, it was not easy to define a consumer, but it was indisputable that some individuals were consumers

without being producers. Such was the case in Germany in respect of the nineteen million housewives who were not workers and did not earn any wages. The consumers' societies included thirty-two million members.

The supervision of the cartels was accordingly difficult, but it must nevertheless be established. National supervision must precede international supervision. Each national supervisory institution might communicate the results of its experience to the League of Nations, under whose auspices it might be possible to set up an international supervision.

Referring to the German experience with the miners quoted by M. Lammers, she would mention a similar experiment made at Vienna, where, as the result of a request for an increase of wages formulated by the workers in municipal undertakings, the Socialist municipality had confronted the workers with those who used the municipal services, who were the workers in other organisations. An agreement had been reached, and at present the prices of gas, electricity and railway services were the lowest in Europe, and the wages of the workers had remained adequate. This experiment showed the possibility of a rationalisation based on an understanding between consumers and producers.

A true democracy should know how to organise its economic resources so as to satisfy both consumers and producers.

3. — DURATION OF SPEECHES.

The Chairman pointed out that it was essential to finish the discussion that day. There were still twelve speakers on the list. He proposed in these circumstances to limit the speeches to a duration of ten minutes.

After M. Jouhaux had raised certain objections, *the principle of limitation was adopted*, it being understood that in special cases there might be exceptions to the rule.

4. — DISCUSSION ON INDUSTRIAL ENTENTES (continuation).

M. Lavenius (Finland) said that one of the most important questions submitted to the Conference was that concerning international industrial understandings. The following problems should be settled :

1. Was it desirable that the Governments should repeal laws prohibiting industrial associations ?

2. Was it desirable that Governments should support these associations ?

3. Should Governments exercise a supervision over these associations and in particular over the prices fixed by them ?

In regard to the first of these questions, he agreed with M. de Rousiers (document C.E.C.P. 95, *Cartels and Trusts and their Developments*) in thinking that restrictive laws were obsolete.

On the contrary, the support given to the trusts by the Governments led to abuses, particularly when, by means of Customs tariffs, a *de facto* monopoly was established to the profit of these organisations. Without the support of the Governments, these combines might, because of the extent of their markets, reduce prices and at the same time make profits. If, however, the States granted them privileges, such as higher Customs duties, these associations would benefit from a position of monopoly, and would tend to keep prices at a high level, particularly in small States. The larger associations would benefit from the support of the public authorities at the expense of consumers and of other branches of the national economy, and might under the shelter of protection export goods at dumping prices.

The reply to the second question must therefore be negative, and it did not seem desirable that the Governments should exercise supervision over the activity of these associations, although it might be useful to compel them to publish an annual report of their operations, indicating the prices fixed for the internal and external markets.

International agreements stabilised production and crystallised economic life. By their provisions concerning prices and by their rationing of production, they tended to act contrary to the principles of economic freedom.

It would, moreover, be a dangerous illusion to imagine that international cartels supported by States served the cause of peace. Experience had shown that, whenever a cartel was about to come to an end, negotiations concerning the conditions of continuing the necessary agreements had a tendency to become more difficult.

He did not think it would be necessary to institute an international supervision of industrial ententes, and a recommendation of the Conference could only serve the interests of a small group of industrialists at the expense of the community as a whole and hinder economic development.

M. Battaglia (Poland) thought that industrial and commercial international ententes provided an effective defence against anarchy in production and the abuses of dumping. They also served to ensure a regular return on invested capital, to protect workers from unemployment, to render Customs barriers partially useless, to facilitate the distribution of capital and the diffusion of experimental knowledge and inventions throughout the world, to lower prices and to raise the level of consumption and of the general well-being.

Poland was accused of Customs protectionism, whereas for a year her tariffs had been lower by 40 per cent than those which were shown for 1925 in the documents of the Conference (document C.E.I. 37, *Tariff Level Indices*). Nevertheless, Poland would like nothing better than to be able to lighten her protective measures by means of just and moderate international ententes.

International ententes, however, must neither deprive the weaker countries of raw materials nor lead to dumping, nor to the rationalisation of production, nor unduly increase selling prices.

It was accordingly necessary to establish rules for a uniform policy for all the States, rules which would tend both to guarantee the legal existence and the normal and legitimate working of the national and international industrial ententes and to guard against abuses.

After according recognition to the utility of international industrial ententes, the Conference should recommend the States concerned to unify their domestic legislation according to the following principles :

1. No commercial or industrial understanding is legitimate or has any right to legal protection unless it is the subject of a written document registered in its entirety.

2. The State may prosecute industrial and commercial industrial ententes whose existence and objects are detrimental to the public interest.

It was only when the national legislations protected cartels against the mistakes of an administration which was not very familiar with questions of an economic character and against individual excesses which were injurious to the community, and when they also protected the public against possible abuses of the cartels, that international industrial ententes could develop on normal lines.

Besides the unification of the national legislations, international action in favour of useful international industrial ententes might be exercised and developed by means of a common organisation conducting investigations, recording facts and making recommendations which would be of indisputable authority but of a purely moral order.

In conclusion, he would emphasise that the new social system of solidarity, which had nothing in common with the socialisation of production, might be developed in the capitalist States to a very remarkable extent.

M. Zimmerman (Netherlands) thought that industrial ententes would play an increasingly important part in the development of European economy. All the authors recognised the great advantages which might result from ententes and cartels, and noted that the formation of industrial ententes led to a more rational organisation, to a more just distribution of markets, to better methods of production and to conditions of equality in the industries of the various countries. Cartels profited not only industrial capital but also workers and consumers.

As M. de Rousiers had pointed out (document C.E.C.P. 95, *Cartels and Trusts and their Development*), cartels lowered and stabilised prices while diminishing the frequency and duration of unemployment.

It was a far cry from the recommendations of conferences on Customs policy to the international treaties giving effect to them. Industrial agreements between producers offered a shorter method of approach, as had been shown by Professor MacGregor and Professor Grossmann¹.

They were faced with a recent development which must not be hampered in its progress by international measures or even by inopportune recommendations. No precise fact had yet been adduced which might justify such intervention.

¹ Document C.E.C.P. 93, *Industrial Cartels*, by D. H. Macgregor; document C.E.C.P. 24 (1), *Methods of Economic Rapprochement*, by Eugène Grossmann.

There existed, it was true, in the United States legislation restricting combines, but the laws were not always strictly applied.

Ineffective action on the part of the State was more injurious than abstention, and, if the solution of difficulties resided in industrial ententes, the movement in favour of them would go forward with an irresistible force in spite of all efforts to the contrary.

As Mayor of Rotterdam, he had once had to settle a sympathetic strike of dockers in support of internationally associated trade unions, a strike which had dislocated the provisioning of part of Europe, and he would ask the delegates who insisted on setting up a supervision of international industrial ententes whether they included within their view agreements of solidarity between trades unions.

EIGHTH MEETING

Held on May 12th, 1927, at 3.30 p.m.

Chairman: Dr. F. HODÁČ (Czechoslovakia).

1. — APPOINTMENT OF DRAFTING COMMITTEES FOR INDUSTRIAL ENTENTES AND STATISTICS.

The Chairman reminded the Committee that it had been agreed to appoint two small Drafting Committees, one for Industrial Ententes and the other for Statistics, in order to enable the discussion to be continued in plenary meeting. He therefore proposed to appoint for the first committee: Dr. LAMMERS (Germany), representing the producers; M. TUČNÝ (Czechoslovakia), representing the consumers; Sir Arthur BALFOUR (British Empire) and M. JOUHAUX (France) representing the workers, in addition to the officers of the Committee and the Rapporteurs.

M. Jouhaux begged to be excused, and the Chairman asked the workers' representatives to appoint another delegate.

The Second Committee, apart from the officers of the Committee and the Rapporteurs, would consist of M. JAHN (Norway), M. OLIVETTI (International Chamber of Commerce) and a workers' delegate.

These proposals were adopted.

2. — DISCUSSION ON INDUSTRIAL ENTENTES (continuation).

M. Baltrusch (Germany) said he believed that cartels had helped to restore the industrial economy of countries weakened and impoverished by the war, and that their importance would decrease when conditions became more normal.

Cartels might be desirable from the point of

view of ensuring continuity of production and of limiting price fluctuations. They presented, however, certain dangers: for the producer, obstacles to technical progress, especially if the terms of the agreement were too rigid; for the consumer, the danger of high prices and of determination in the quality of products, especially if the cartel is monopolistic in tendency; for commerce, the danger of cessation of deliveries and of privileged treatment for certain firms; for labour, the danger of an intensive exploitation of the workers.

The importance of cartels as a method of meeting the difficulties to which excessively high Customs duties gave rise had been considerably exaggerated, since the reduction of Customs duties would only be appreciable, so far as consumers were concerned, if the latter were not obliged to pay higher prices or to accept articles of an inferior quality.

He thought that in each country the registration of these organisations at an office for cartels should be made compulsory. Such an office should have the power, in the event of abuses, to make enquiries into their objects and their methods of operation. Another means of avoiding the possible danger of cartels would be to ensure the representation of workers in their governing body and in their administration.

With regard to the proposal which had been made to constitute an international economic institute for the supervision of the cartels, he did not think that there was any reason to go so far, in view of the slight importance of their development at present. The Conference, however, might recommend the strengthening for this purpose of the Economic Committee of the League of Nations, attaching to that body experts on the subject, together with representatives of the workers' interests.

3. — APPOINTMENT OF A CO-ORDINATION COMMITTEE.

The Chairman informed the Committee that he had acquainted the President of the Conference with the desire expressed by certain delegates for the appointment of a Committee for the co-ordination of questions dealt with by the three Committees.

M. Theunis had proposed to institute for this purpose a committee composed of the President and Vice-Presidents of the Conference, together with the Chairmen, Vice-Chairmen and Rapporteurs of the three Committees. The Co-ordination Committee might, if necessary, ask for the assistance of the authors of proposals of a general kind which were submitted to the Committees or to the Conference itself.

The proposal of the Chairman was adopted.

4. — DISCUSSION ON INDUSTRIAL ENTENTES (continuation).

M. Keto (Finland), who had signed the draft resolution submitted by Mme. Freundlich¹, said that he was not sure that international ententes would remove the present difficulties.

The only practical form of international ententes would, in his opinion, be that of cartels; but he was doubtful whether cartels would lead to the suppression of out-of-date methods of production and their replacement by more modern methods. The advantage of cartels was that they stabilised prices and did away with competition; but they tended to raise prices to the detriment of consumers, of non-cartellised industries or of agriculture, as the case might be. In this connection, there existed an essential difference between price-fixing agreements and the industrial combines known as "Konzerne" and "trusts", which were more likely to achieve the rationalisation of production and thus lead to general prosperity.

He recognised that the existence of cartels was an accomplished fact, but he was not in favour of recommending them as an important solution of the European difficulties.

He believed that supervision would be useful. The supervisory bodies should not, in his opinion, fix the prices to be charged by the trusts, but there should be a certain publicity calculated to limit abuses.

M. Lammers (Germany) said that the question of a general rise of wages in order to obtain an increase of production and consumption was a question which would have to be settled internationally.

As regarded cartels, he did not think it desirable to make any concrete and detailed suggestions to the Governments as to the provisions which should be adopted; he thought their attention might be drawn to the desirability of certain measures.

He would not, for lack of time, make a detailed statement on this problem, which the German Government had asked him to study as Chairman of the Committee specially appointed for the purpose. The following principles embodied his views on the question.

A. General Observations.

1. Private agreements between industries do not constitute a general economic principle but represent a temporary stage in the development of special conditions, a development the future of which is still uncertain.

2. The importance of national and international cartels to the economic system of each particular country can only be studied in relation to the economic and political situation of that country.

3. The most important international agreements from the economic point of view cannot be studied separately, but must be considered within the whole complex of international relations of the countries directly or indirectly affected by these agreements.

4. No cartel should have for its object the securing for its members or their employees exaggerated profits to the detriment of other branches of production or of the general public. The first task of the cartels should be, on the contrary, to develop the rationalisation of production, with a view to a reduction of prices and an improvement in the quality of products. The cartels should in this connection abandon certain illusions of the pre-war period.

5. International cartels should not under any circumstances be used to neutralise the effects of national protectionism in certain fields of economic activity, as this would only develop the protectionist policy of certain countries in other fields and render more difficult the conclusion of commercial treaties. Agreements as to raw materials and semi-finished products must take into account the effect which they may have on subsequent stages of production and consumption.

6. In the event of the preceding views influencing the conclusion of international agreements and the economic policy followed for that purpose, these agreements should be regarded as a means of alleviating economic difficulties in certain countries and particularly in Europe.

B. Publicity.

1. The number and importance of cartels in certain branches of production and commerce justify the attention which has been paid to them by the general public and by Governments. It is for each country to take the supervisory measures which seem to it advisable.

2. The documents collected by the Preparatory Committee show that cartels are only submitted to a direct supervision in a small number of countries, including particularly the United States and Germany.

3. Theoretically, international supervision may extend either to the whole world or to a single continent, or to only part of a continent, and may touch only those countries which are directly concerned, but it is necessary to provide guarantees for the effectiveness of the method of supervision, which must be loyally and unanimously applied in all the countries concerned.

¹ See page 169.

4. Logically, international supervision can only be conceived on the basis of common economic interests expressed in official commercial relations in treaties of commerce, and particularly in the general policy of the countries concerned. Collaboration between countries pursuing antagonistic policies could not be effective.

5. Any co-operation between nations in the economic field must be entirely voluntary. Any measure of compulsory intervention at the instance of international committees would involve political difficulties, above all, from nations which have to meet important public engagements towards other States. Full liberty of action in the economic field is a condition of the equality necessary for the exercise of a common control.

6. It would be of great advantage if all nations would endeavour to regulate their disputes by means of voluntary reference to arbitration courts of experts, composed of persons enjoying high international authority and available in each particular case. The existing economic international organisations might formulate suggestions as to the composition of these arbitration courts.

7. It is necessary to convince public opinion of the necessity of the rationalisation of production, sale and consumption in the interests of all countries. The cartels should meet justifiable requests for information fully and frankly in order to remove any suspicions which may exist in regard to them.

In conclusion, he would point out that it had been already emphasised sufficiently during the Conference that Europe could not attain a healthy and stable standard of living unless all nations seriously collaborated by introducing methods of trade free from all impediments and adopted better methods for the utilisation of human labour.

M. Jahn (Norway) thought it would be well to remember that the object of economic activity was to obtain the greatest possible volume of production, which alone could raise the standard of life of the population. The aim of cartels and understandings, like the aim of any individual enterprise, was to obtain the highest possible income. Cartels and ententes endeavoured to obtain this result by controlling prices, but this control could only be exercised by a limitation of production in one direction or another, which was against the aim of economic activity as defined above. He hoped, therefore, that the Conference would not declare itself in favour of the creation of cartels in general, and he would add that the support given by the Governments to national ententes only resulted in increasing political and economic difficulties.

As member of the Office for the Supervision of Prices in Norway, he knew from experience how difficult it was to control international cartels, and that such control gave rise to disappointing results.

Dr. Urban (Czechoslovakia) observed that, as compared with the considerable development of national cartels, the development of international cartels was relatively of secondary importance.

Cartels had been reproached with a tendency to create monopolies by the elimination of international competition, which might lead them to certain abuses in the fixing of prices.

Any attempt to organise international supervision would be an attempt upon the sovereignty of the various countries. The problem of the

supervision of cartels had been studied for a long time in several countries, and negative results had been reached as regarded measures of publicity, the control of prices and the fixing of prices on the market.

There was no doubt that cartels might tend to reduce the cost of production by instituting rationalisation on an extensive basis, which might lead to a decrease in selling prices and a rational export policy. A very important point to be considered was the influence of international industrial agreements on Customs policy. Apparently these agreements might effect breaches in the Customs barriers and lead at any rate to a reduction of tariffs which other means had failed to achieve.

He hoped that the study of this problem would be entrusted to the Economic Committee of the League of Nations.

The Chairman informed the Committee that M. Obolenski-Ossinski had asked him to announce that his delay in giving the information for which M. Loucheur had asked him was due to the fact that he had had to send to Moscow for the necessary details and that the reply had not yet arrived.

Dr. Wetter (Switzerland), as the representative of a small country which possessed no raw materials but was highly industrialised, expressed his views upon national and international industrial ententes, which he regarded as likely to contribute in an important degree to the rationalisation of production and to ensure economic peace. These ententes could not be replaced, but merely completed, by treaties of commerce, as they did not always result in the lowering of Customs duties.

He was in favour of ententes to the extent in which they did not prejudice the provisioning in raw materials of countries which were insufficiently provided with them. In Switzerland, agriculture supported only 27 per cent of the population, and Swiss industries required raw materials and semi-finished products for the manufacture of machinery and of finished products in which the labour put into the products became the predominant factor. It was necessary that countries working under these conditions should be guaranteed that regard should be had to their position. For this purpose, he would like to see embodied in a recommendation the fundamental principle that the export of raw materials should be free. This principle had already been laid down by the International Chamber of Commerce. It was therefore necessary to prohibit export duties, restrictions and differential prices for these materials.

M. Jouhaux (France) observed, first, that industrial concentration had operated on a national basis, and had developed internationally without any intervention on the part of the Economic Conference. This concentration was only calculated to remedy the world situation if it developed henceforth in the direction of the general interest. It was here that two opposing theses came into prominence, the thesis of the champions of absolute liberty and that of the champions of a restricted liberty.

It was impossible to-day to claim absolute liberty in the economic field. If cartels were to be the regulators of economic life, it was necessary that they should be controlled nationally and internationally in the interests of the consumers and the workers. Already vested interests were combining against the application of the International Labour Conventions. What would be the position to-morrow when the cartels, which

were international Powers, had been constituted ? This was one of the reasons why it was advisable to find a place for the working-class element in the national and in the international supervision of cartels.

He protested against the assertion that the workers would not have the necessary capacity. There were no technical or theoretical questions at issue, but practical questions, which the workers, like the engineers and the administrators, had to settle every day. To avoid the subordination of the general interest to the special interests of the two parties, however, it seemed necessary that the supervision should be exercised on the one hand by producers, workers and employers and on the other hand by the consumers.

M. Joubaux read the draft resolution of which he was the author¹.

The Chairman observed that there were still several speakers to be heard before the discussion finished. He proposed to adjourn the debate until the following day, on condition that the list of speakers was closed.

M. von Siemens (Germany) and M. Loucheur (France) supported this proposal, which was approved.

M. Lundvik (Sweden) said that he was somewhat sceptical as regarded international ententes. He did not deny that co-operation between the producers of the various countries would enable the costs of production to be reduced by a more rational division of labour and the waste of capital to be diminished, which was the most serious defect of the system of free competition. He would, however, like to see the development of production left to the free play of economic forces. The intervention of the States might present advantages for the politicians but not for the industrialists.

If the cartels could make tariff barriers superfluous, he would be strongly in favour of them. What, however, would be the position of countries which did not produce certain materials and which would, therefore, be at the mercy of foreign cartels and be unable to apply to competitors ? The disastrous consequences of international cartels had not yet become apparent merely because these cartels, with certain exceptions, had not yet been able to obtain the monopolies which they desired.

To avoid difficulties, it had been proposed that an international supervisory organisation should be set up in the League of Nations. The Swedish delegation was convinced that such an institution would merely enrich the world with a new bureaucracy, but that it would in no way remedy the abuses which it was proposed to eliminate. Such a supervision would only put impediments in the way of honourable trade, which was prosperous in proportion as it was free from State or super-State intervention.

M. de Rousiers (France) noted that the majority of the Committee were agreed on certain very limited questions. To begin with, no one doubted

that national or international ententes responded to an actual need, or that certain of their results were of advantage, and that others had been harmful.

The legality of cartels was not everywhere recognised, as some countries did not discriminate between good and bad cartels but included them all under the same reprobation. Such was the case in France, where "coalition" between employers fell under Article 419 of the Penal Code. This absolute conception had justly disappeared from the majority of the Codes. The right of association was recognised almost everywhere for the workers; it must accordingly be recognised for the employers. It was necessary, however, to make a discrimination between ententes which acted honourably and the other kind.

Cartels must respect the rights of producers, of workers and of consumers. As M. Joubaux had said there was, over and above these three private interests, the general interest, which could not be defended by any of the groups concerned, but only by the sovereign State.

The aim of ententes was the regulation of prices. This was of advantage to production, and of still greater advantage to workers, because regular prices meant regular production, and tended to abolish unemployment.

As far as the public was concerned, the cartel had the great advantage of fixing the same price for all its customers, great and small, a considerable advantage for small undertakings.

Any permanent cartel endeavoured to bring about an equilibrium between production and consumption by increasing consumption. Cartels which endeavoured to bring about this equilibrium by diminishing production could not survive for very long, as they aroused protest from their own members because of the increase of prices which they imposed on them.

Certain cartels had increased the welfare of the workers, and this indirect result of their activity was due to their good administration and to their adoption of rationalisation.

The speaker analysed the policy of the Steel Trust of the United States since 1901, the year of its foundation, and showed how this trust, which had decreased prices and increased wages, had been able in 1924 to incorporate one-third of its own employees among its shareholders.

Two principal signs distinguished the good trusts. They had a durable organisation, and they worked in the open. Experience, moreover, showed that these organisations only became dangerous when they had succeeded in laying hands on public authority, as had happened in America during the earliest stages. Finally, it was necessary to distinguish between ententes leading to monopoly and those which left room for a certain amount of competition.

The same criterion might be applied to international cartels, since they had their roots in national cartels, and their headquarters were established in a definite State. It was possible, however, to contemplate for these cartels a declaration made to the judicial authority at headquarters, to be communicated for information to an international office entrusted with the collection of general documentation.

¹ See page 168.

NINTH MEETING

Held on May 13th, 1927, at 11 a.m.

Chairman: Dr. F. HODÁČ (Czechoslovakia).

DISCUSSION ON INDUSTRIAL ENTENTES (conclusion).

The Chairman invited M. Obolenski-Ossinski to reply to the questions raised by M. Loucheur at the sixth plenary meeting of the Committee.

M. Obolenski-Ossinski (U.S.S.R.) said that the information which he had requested from Moscow had not yet arrived. He could therefore only give approximate data, but more precise particulars could, if necessary, be given at a special meeting. The average working day in Russia was 7.57 hours. This figure was calculated taking into account the workers who worked only a portion of the day, but in 1925-26 there had not been any workers belonging to this category in the U.S.S.R. On the other hand, account had been taken, in calculating this average, of branches of industry in which the six-hour day was in force, as well as special classes of workers who, in conformity with the law, worked only for four or six hours a day. He estimated that the number of factories taken into account was not less than 80 per cent, including the large enterprises.

As regarded the relation of wages to unemployment allowances, the average wage of an industrial worker in 1925-26 was 54 tchernovetz roubles and the unemployment allowance was approximately 15 roubles for the same period. Account, however, must be taken of the fact that the unemployed were not bound in Russia to pay rent, and that the syndicates allowed them subsidies which amounted approximately to 10 roubles.

Referring to the statements made by M. Jouhaux at the seventh meeting, he observed that the nine-hour day referred to in the document quoted by M. Jouhaux did not mean a day of nine hours effective work, since in this figure were included the intervals imposed by Russian legislation, which varied from half-an-hour to a maximum of two hours.

M. Garcin (France) said that agriculture, which kept industrialists and workers supplied, had a particular interest in the solution of the economic crisis and in the increase of the purchasing power of its customers. For this reason, agriculturists favoured industrial ententes, subject to such precautions as were necessary to avoid abuses.

If cartels succeeded in disciplining production, they would render a great service to world economy by stabilising it. Certain difficulties, however, remained, particularly the difficulty which arose from the fact that, for the last ten years, industrial production had increased to an extent appreciably higher compared with agricultural production, and that there was considerable unemployment in the towns, which deprived agriculture of markets.

The speaker contrasted the position of the industrialist who worked with raw materials, and knew what quantity of manufactured goods he would obtain from them, with the much less favourable position of the agriculturist, who at the moment of sowing did not know what the harvest would be, or what would be the possibilities of the market. Agricultural production was exposed to several formidable risks, whereas industry was fortunate in only having one, namely, the capacity

of the market to absorb its products. This explained, in his view, the discouragement of so many farmers, who were abandoning their calling, being tired of sowing without reaping, or of selling at a loss when the harvest was exceptionally good owing to a glut on the market.

The farmer was absolutely without protection against this risk so long as he stood alone. It was therefore to his interest also to belong to an organisation of agricultural producers, which might cope with a glutted market and maintain adequate prices. Instead of speaking of industrial ententes, it would therefore be preferable to refer to ententes of producers, as they all would be submitted to the same legal regime, and should all offer the same guarantees.

M. Sokolnikoff (U.S.S.R.) said he did not think that international cartellisation was a remedy calculated to cure the maladies from which the economic system was now suffering, since, in order to achieve a really effective result, measures of a different kind would be necessary. It would, however, be as absurd to oppose the movement towards industrial and commercial ententes, which were a logical necessity for modern capitalism, as to place obstacles in the way of the development of machinery.

He thought that the system of supervision proposed by M. Jouhaux was utopian, particularly as regarded the Press, which clearly would be rather under the control of the large industrial ententes than in a position to control them. The only effective control lay in the increase of the social and political power of the working classes, in the increase of the influence of consumers, and in the resistance of the small nations which were weak or industrially undeveloped.

Industrial and commercial ententes would not lead to social and economic peace. The danger of a rise in prices was only too real. This was shown by the fact that it was being proposed to replace Customs tariffs, the object of which was to maintain prices at a high level, by cartellisation, which enabled the same result to be attained by more modern methods. It was to be feared, moreover, that the cartels would tend to restrict production.

M. Olivetti had said that the U.S.S.R. suffered from the same evils as the capitalist countries. This was true, but it arose from the fact that the crises of the capitalist world were felt to a certain extent by the Soviet economic system. The U.S.S.R. would not refuse to participate in international industrial and commercial ententes, of which several examples were to be found in Russia. It would, however, oppose any policy which tended to decrease production, and it would defend the interests of the workers and those of the small consumers and those of the countries which would be exploited by the great economic powers of the capitalist world.

M. Weiss-Wellenstein (Austria) said he did not think that the little States had anything to fear from industrial ententes. These were likely to remedy the evils of the commercial policy of recent years, which had caused all the nations to lose money.

He did not think that the first result of industrial ententes would necessarily, as had been contended, lead to an increase of prices. In any case, if it were true that industrial ententes might increase production, it must not be expected that they would prove to be a panacea.

He agreed with M. Lammers that it was impossible to institute an international supervision, but industrial ententes would have to reckon with the growing power of public opinion. He thought with M. Sokolnikoff that it would be a mistake to wish to hinder their development.

Mr. Hunt (International Institute for Scientific Management) said that the strength of the United States lay less in their unity, which might only be an artificial unity owing to the diverse interests of the forty-eight very different federated States, than in a balance of power. Similarly, it was the system of free competition and not the monopolistic tendency which explained American

prosperity. Attacks upon freedom of trade and the breaches of the public interest committed by the industrial ententes had been referred to the courts, and publicity had been a successful corrective, since public opinion very closely followed the recent movement in favour of concentration. At the same time, the organisation of factories had assumed an increasingly scientific character, and the campaign against waste had been conducted with skill, with the collaboration of the workers and under the control of public opinion.

The Chairman said that the discussion on industrial ententes was now closed.

The draft recommendations prepared by the Drafting Committees would be discussed at the following meetings.

TENTH MEETING

Held on May 17th, 1927, at 11 a.m.

Chairman: Dr. F. HODÁČ (Czechoslovakia).

EXAMINATION OF DRAFT RECOMMENDATION SUBMITTED BY THE DRAFTING COMMITTEE ON RATIONALISATION¹.

Sir Arthur Balfour (British Empire) said that he would like the draft to be made less legal in form by the deletion of the words "and whereas". He further suggested that the first paragraph should read "the rational organisation of production and distribution is a principal factor" instead of "the principal factor". He also expressed certain reserves with regard to the English translation, which did not seem to him to be in exact accordance with the French text.

M. Munck (Denmark) thought that it would be impossible to adopt the text of the Drafting Committee in its entirety. It was not possible for industrialists to enter into an undertaking to discuss with the trade unions the improvements to be made in their works; consequently, he had, with several colleagues, prepared a draft introducing certain modifications in the text of the Drafting Committee².

Sir Ness Wadia (India) said that he had at present no amendment to propose, but he reserved the right to raise a point as to the close connection existing between the problem of rationalisation and that of the improvement of the standard of living and the wages of the working classes.

Dr. Curcin (Kingdom of the Serbs, Croats and Slovenes) was inclined to think that some contradiction existed in the text of the following paragraph of the draft resolution:

¹ For an account of the proceedings of the Drafting Committee and text of the recommendation, see page 163.

² For this text, see page 165.

"... Carry on systematically on an international as well as national basis the standardisation of materials, parts and products for all types of goods of international importance in order to remove the obstacles to production and trade that might arise from a policy of purely national standardisation."

M. de Peyerimhoff (France), Rapporteur, replying to Sir Arthur Balfour, said that the Drafting Committee had merely followed precedent as regards the form of the document, but, if the Co-ordination Committee thought it would be better for all the Committees to use a form more readily understood by general public opinion, the Rapporteurs would have no objection.

As regards the use of the words "the principal factor" instead of "a principal factor", M. de Peyerimhoff did not quite understand what was intended. Rationalisation was not a new invention, nor was it temporary in its nature. Its aim was to organise work and there was no more important factor than this for the improvement of production.

The speaker agreed with Sir Arthur Balfour that the English translation would have to conform as exactly as possible to the French text.

The text prepared by M. Munck and his friends appeared to wish to remove from the resolution on rationalisation any reference to social questions and to avoid any discussion by the workers' representatives in to-day's deliberations. The normal proceeding was that rationalisation was decided upon by the heads of businesses, but it must be recognised that the working class was one of its chief beneficiaries. Moreover, as the early stages of the application of this rationalisation might prejudice the workers, it appeared absolutely necessary that they should fully understand the problem.

In reply to Dr. Curcin, the speaker stated that national standardisation was an excellent thing, but that international standardisation was still more important. The Drafting Committee had endeavoured to explain to public opinion that the maintenance of purely national standardisation might stand in the way of a general improvement of the conditions of production and distribution.

Sir Arthur Balfour (British Empire) explained that he was anxious to allow rationalisation to be fluid and progressive, and he did not want the possibility of progress to be excluded, as the first paragraph appeared to do. That was his reason for preferring the words "one of the principal factors" to "the principal factor".

M. Lundvik (Sweden), while expressing his admiration for the spirit of conciliation which had evidently inspired the Drafting Committee in carrying out its delicate task, expressed the fear that the very general character of the formula adopted would render it liable to be interpreted in very different ways to suit those interested, and he would like it to be much more precise.

Rationalisation was really nothing more than a new garment wherein was clothed an old truth which dated back to the time when primitive man found practical means of sharpening his stone implements. It remained, however, the fundamental condition for an improved standard of life, and, though the principle might be old, there was in its application a new aspect which deserved great attention. This was the application of science and of the spirit of solidarity to the efforts devoted especially to the interests of the workers, in order to give to man the healthiest, the most dignified and the best employment.

For these reasons, the Danish, Finnish, Norwegian and Swedish delegates had drawn up a new draft resolution which the speaker then read¹.

M. Serrarens (Netherlands) wondered whether the amendment which had just been put forward should now be discussed before the Committee.

The Chairman replied that, if the Committee did not decide to adjourn, they might open a discussion on this amendment to the proposal of the Drafting Committee. The Rapporteurs would be able to give their opinions on the proposed amendment before a vote was taken.

M. Mertens (Belgium) could not see how it would be possible to pronounce on a document which had only just been read. However, he noted there and then that M. Lundvik, as representing the employers, wanted to remove from the Drafting Committee's text almost everything which was favourable to the workers' interests. If this were so, he must speak openly to the meeting, so that the necessary measures might be immediately taken with regard to tactics so unfortunate for the working classes.

Dr. Marie E. Lüders (Women's International Organisations) thought that the Scandinavian text was somewhat clearer than that of the Drafting Committee.

She was not empowered to speak in the name of the German delegation, but said, however, that in Germany the question as to how the reactions on employment might be mitigated by measures of social insurance had roused a good deal of interest.

M. Loucheur (France) thought the discussion was reaching an impasse from which it would be difficult to escape if every delegation were to put forward a complete text in opposition to that of the Drafting Committee. He therefore proposed that the Drafting Committee's text remain the subject of discussion; on the reading of each paragraph, any delegate would be able then to present any amendments he thought useful. The Scandinavian delegates would then have the opportunity of giving a clear expression of their intention, which did not emerge clearly in their draft resolution. In any case, if the Scandinavian amendment, particularly in connection with unemployment, aimed at imposing on the general public the whole burden of the consequences of rationalisation, he now declared his opposition to that thesis.

The Chairman replied that the Drafting Committee's text was certainly the basis for discussion, and that he had called on M. Munck and M. Lundvik to speak only to explain their reasons for putting forward their counter-resolution.

If, therefore, no motion to adjourn were presented, the discussion would continue upon the basis proposed by M. Loucheur.

Sir Arthur Balfour (British Empire) supported M. Loucheur's proposal. The amendment submitted by the Scandinavian delegations undoubtedly merited discussion, but it was to be regretted that this entirely new text had been submitted in plenary meeting without having been previously laid before the Drafting Committee.

M. Munck (Denmark), replying to M. Mertens and M. Loucheur, said that, if the expression "professional organisation", to be found in the draft prepared by the Drafting Committee, applied to trade unions, the authors of the amendment would be obliged to oppose it, for in the transformation of their industries they ought only have to deal with their own workmen and not with the trade unions. On the other hand, in view of the possibility of an increase in unemployment resulting from rationalisation, the text proposed by the Drafting Committee appeared to burden industrialists with a certain proportion of the indemnities to be paid to the unemployed. Industrialists, however, who would already be called upon to face additional expenditure for new plant, would refuse to support any additional burden of a kind which appeared to be contemplated in the text submitted to the Committee.

Finally, the Drafting Committee promised to the workers a just share of the profits of rationalisation. This provision seemed useless and dangerous. If the factory increased its profits, the worker would naturally benefit. If, on the other hand, the change of methods did not give goods results, it was not possible to promise the workers in advance an increase of wages.

M. de Peyerimhoff (France), Rapporteur, thanked M. Munck for the explanation which he had furnished on the divergencies between the two texts. The Drafting Committee had in no way intended to furnish a further claim to trade unions to share in the discussions on the process of rationalisation and *a fortiori* in the decisions to be taken. By the expression "co-operation of professional organisations", the Drafting Committee had in mind the considerable support which production had already received from professional organisations and not any re-casting of the actual relations between employers and labour.

The Drafting Committee had also in no way contemplated an automatic and preliminary

¹ See page 166.

increase of wages; such increase could only be the result of an increase of the margin of profit to be achieved by rationalisation.

No one could, therefore, find in the text of the Drafting Committee any authority for any innovation in the present relationship between labour and employers.

M. de Peyerimhoff, in conclusion, asked the Committee to examine forthwith the draft submitted by the Drafting Committee, without prejudice to the right of the authors of the counter-scheme to submit any amendment to this text.

M. Zimmerman (Netherlands) agreed with the proposal to pass on to the discussion of the draft submitted by the Drafting Committee, but would like the amendment submitted by M. Munck and his colleagues to be reserved.

M. da Cunha Leal (Portugal) proposed that the general discussion should be closed after members who had given in their names to speak had done so, and that the Committee should then be called upon to decide to which of the two drafts it desired to give priority.

Sir Arthur Balfour (British Empire) thought it desirable to examine the text of the Drafting Committee paragraph by paragraph, the authors of the counter-scheme being free to submit amendments.

M. de Peyerimhoff (France), Rapporteur, asked the authors of the counter-scheme not to compel the Committee to pronounce by a formal vote in favour of one of the two texts. M. Munck and his supporters could give a complete statement of their point of view by submitting amendments to the various paragraphs of the draft resolution submitted by the Drafting Committee.

M. Munck (Denmark) agreed to this proposal.

M. Johansson (Sweden) thought the text submitted by the Drafting Committee was very clear. M. Munck's statement that he wished to have no dealings with the trade unions appeared to have the character of a declaration of war against the working classes.

M. Lundvik (Sweden) pointed out that the authors of the Scandinavian draft had submitted it in the afternoon of the previous day, after having informed the Chairman that they were going to do so.

He explained to M. Johansson that he had not spoken in the name of the Swedish delegation, but in his own personal capacity and in the name of M. Munck, M. Wessel and M. Lavonius. If M. Loucheur examined closely the counter-scheme,

he would be able to note that its authors had paid just as much attention to the interests of workers as had the Drafting Committee.

The Chairman closed the general discussion and asked members who desired to speak in the discussion of the draft article by article to confine themselves to an explanation of the amendment which they might desire to propose.

M. de Peyerimhoff (France), Rapporteur, after recalling that the form of the text had been reserved until the Co-ordination Committee had taken a decision, read the draft resolution drawn up by the Drafting Committee paragraph by paragraph¹.

The first paragraph of the Preamble was adopted, with the following amendment proposed by Sir Arthur Balfour:

"considering that one of the principal factors"

The subsequent paragraphs of the Preamble were adopted without modification.

M. Munck (Denmark), M. Lundvik (Sweden), M. Lavonius (Finland) and M. Wessel (Norway) submitted an amendment to replace the following paragraphs of the draft of the Drafting Committee:

"And whereas the process must be applied with care in order that the legitimate interests of the workers may not be injured, and suitable steps must be taken in cases where rationalisation may involve, in the early stages, unemployment or more arduous conditions of work;

"And whereas rationalisation requires, in all that concerns the organisation of labour in the strict sense of the term, the co-operation of employees and the assistance of professional and industrial organisations and of scientific and technical experts;"

by the following:

"Considering that the unfavourable effects caused by a better organisation of work in a special case in bringing about temporary unemployment are best avoided by a greater mobility of raw materials, of capital and of labour,

"Considering that, if these effects cannot be avoided by following this method, they ought to be alleviated by measures taken by the community, which do not prevent adaptation of economic life to the new conditions."

The discussion on this amendment was adjourned to the next meeting.

¹ For the text, see page 164.

ELEVENTH MEETING

Held on May 17th, 1927, at 3.30 p.m.

Chairman: Dr. F. HODÁČ (Czechoslovakia).

1. — EXAMINATION OF DRAFT RECOMMENDATION PRESENTED BY THE DRAFTING COMMITTEE ON RATIONALISATION (continuation).

The amendment submitted at the previous session by M. Munck and some of his colleagues was under discussion.

M. Jouhaux (France) stated that he had accepted the text of the Drafting Committee as a minimum, but that, if substantial modifications were to be made, he would be compelled to vote against it.

The consequences of rationalisation would have to be a reduction in the costs of production, an increase in wages and a reduction in selling prices. He disagreed with M. de Peyerimhoff, for they could not confine themselves, as far as the workers' organisations were concerned, to a simple statement

of fact; it was a question of changing an actual situation in which the trade unions were ignored. Moreover, in such an important question the individual collaboration of the personnel in industry, subject to all the pressure of persons and places and situations, could not alone suffice; they must have also the collaboration of the trades unions morally and collectively responsible.

The speaker drew the attention of the Committee to the importance of this resolution, which would have no value unless accepted by all the members, including the workers' group.

M. Lavonius (Finland) said the proposal of the Drafting Committee was a quite conservative one. It said that rationalisation should be applied with care in order that the legitimate interests of the workers might not be injured. That was contrary to the first point of the resolution already adopted, namely, that "the rational organisation of production and distribution is the principal factor in increasing output, improving conditions of labour and reducing prices": The meaning of the expression of the Drafting Committee might be that unemployment should be avoided; but the essential point of rationalisation might be said nearly always to be to save human labour through perfection of the means of production and of distribution, though improved conditions might open new avenues of production and of employment to the workers discharged.

The clearer Scandinavian text admitted that rationalisation might cause unemployment, but expressed the view that "unemployment may be avoided by a greater mobility of raw materials, of capital and of labour". And, further, that if unemployment could not be avoided in that way, its effects ought to be alleviated by measures taken by the community — such measures as would not hinder the adaptation of economic life to the new conditions.

It had not been possible for M. Lundvik and his colleagues to submit their amendments to the Drafting Committee because they had not seen the text proposed by that Committee.

M. Wessel (Norway) thought his own proposal was perfectly clear and that there was no great difference between the two texts, but if anyone thought it could be construed as being directed against the interests of the workers, which was not the intention, it had been misunderstood. To clear up the misunderstanding, he was willing as far as he was personally concerned to withdraw his amendment.

Sir Arthur Balfour (British Empire) hoped the Scandinavian text which had just been examined would not be taken as a basis for discussion. He thought they might, however, adopt the clause in the Swedish proposal which began with the words: "Considering that the unfavourable effects caused . . ." down to "labour", and continuing with the text of the Committee "and whereas the process must be applied . . .", etc. He thought this essential sentence should be retained, while the new idea of the mobility of capital and labour embodied in the Scandinavian draft was adopted.

This text would then be drafted as follows:

"Considering that the unfavourable effects caused by a better organisation of labour in a special case in bringing about a temporary unemployment are best avoided by a greater mobility of raw materials, of capital and of labour;

"Considering that the process must be applied with care in order that the legitimate interests of the workers may not be injured."

He wished to inform M. Jouhaux that, in the phrase "industrial organisations", he understood trade unions to be included.

M. Gelderman (Netherlands), referring to M. Jouhaux's statement, said that personally he and many others considered the text of the Drafting Committee to be the maximum distance they were at present prepared to go. Although he preferred the Swedish text, the speaker would be prepared to accept that of the Rapporteur, but only if a suitable solution could also be found in the case of cartels. He therefore suggested that they might perhaps adjourn the vote on this proposal until the draft resolution on cartels was before the Committee.

M. de Peyerimhoff (France), Rapporteur, informed the Committee that he had received a new amendment from the Danish and Swedish delegates to follow the second "whereas", as follows:

"That this application should be carried out, taking into account the interests of the workers and in collaboration with them;

"And that in the special case of a temporary excess of labour resulting from rationalisation the disadvantages of this excess would be most profitably avoided by ensuring a greater mobility of raw material, capital and labour;

"And that, if these effects cannot be avoided by the above means, they should then be assisted by measures taken by the community as a whole, and of such a nature as not to hinder the adaptation of economic life to the new conditions."

He thought that this text was inspired by the fear of its authors that the charges resulting from a rapid decrease in labour employed would fall solely upon the employers unless suitable steps were taken. This had never been intended by the Committee or by the Drafting Committee. The words "suitable steps" had rather referred to unemployment allowances, which did not in any country fall exclusively on the employers, since there were usually allowances paid either by the State or the provinces or the municipality. This was certainly a rather lazy solution, but the interested parties, employers and workers would have to work out the practical solution of the problem. Consequently, the Rapporteur would be prepared to accept the amendment with the addition of the words "without putting any obstacle in the way of their economic adaptation to new conditions" after the words "suitable steps must be taken".

Mr. Pugh (Great Britain) was not quite clear as to what was now before the Committee.

M. de Peyerimhoff (France), Rapporteur, explained that the new text would read as follows:

"And whereas the process must be applied with care in order that the legitimate interests of the workers may not be injured and suitable steps must be taken, *without placing any obstacle in the way of economic adaptation to new conditions*, in cases where rationalisation may involve in the early stages unemployment or more arduous conditions of work."

(The words in italics would be added to the original text.)

The Rapporteur asked his Swedish colleagues as well as the workers' representatives to say whether this compromise would satisfy them.

M. Lundvik (Sweden) expressed his desire for conciliation, and suggested the reference of the various texts to the Drafting Committee for detailed study.

M. Mertens (Belgium) asked that the text of the Drafting Committee be adopted exactly as it stood. Any modification, however innocent it might be, in the direction desired by those who opposed the draft would run the risk of ignoring the workers' organisations, which were indispensable to all rationalisation.

The speaker would like to have an exact idea of the meaning of the expression "without placing any obstacle in the way of economic adaptation to new conditions". If this was a new trap for the working classes, he declared himself entirely opposed to it; if, on the other hand, it meant nothing, he thought that it was hardly necessary to modify the Drafting Committee's proposal.

M. Munck (Denmark) said that the technical questions of rationalisation were a matter for the employers, and that the collaboration of the trades unions, which existed to protect the interests of their members, was superfluous.

M. Lavonius (Finland) supported the proposal that the amendments should be sent back to the Drafting Committee.

M. Fontaine (Chairman of the Governing Body of the International Labour Office) said he understood the reservation of the Scandinavian employers, who feared that, under the pretext of avoiding the unfortunate consequences of rationalisation, they would abstain from rationalising. He would prefer that the text should run: "without putting any obstacle in the way of the enforcement of rationalisation", because he did not understand the expression "economic adaptation to new conditions".

No one really wished to give the impression that all rationalisation must be stopped if it involved temporary disadvantages. Rationalisation could not be effected without some reactions, but they would have to alleviate the consequences, either by indemnifying those thrown out of employment or by other appropriate measures.

M. Fontaine would therefore accept the insertion in the former of the two paragraphs under consideration of a sentence, which was still to be drafted, which would satisfy Scandinavian employers, to the effect that rationalisation might be continued notwithstanding the technical and social difficulties which it might involve.

But he thought it essential that the latter paragraph should remain intact.

In the task of rationalisation, the employer who directed the operation should not only have recourse to the technical intelligence of experts, and appeal to the intelligence and good will of the personnel; he should also bear in mind that labour contracts had to be concluded and that the workers' organisations charged with the interests of the workers had to concern themselves with the fatigue, the rest and the remuneration of the workers.

The workers' and employers' organisations would have to collaborate according to their respective ability towards the success of rationalisation. To dispense with their assistance was to court failure. Each of them had his proper place in this task, and each would have to be mentioned in the second paragraph under discussion.

M. Jouhaux (France) recognised that this was not the place to discuss the general rôle of

trades unions, which was a question arising at the International Labour Conference, but he could not accept an interpretation of trade-union law so restricted as that given by the Danish delegate.

He recalled that Part XIII of the Treaty of Versailles recognised for these unions considerably wider rights than M. Munck was prepared to allow them.

He therefore accepted the text as amended by M. Fontaine and with his interpretation.

Mr. Pugh (British Empire), rising to object to any alteration in these clauses, which were vital from the labour point of view, pleaded for a better spirit in the discussion of the draft proposals. The labour representatives had come to the Conference animated by a spirit of conciliation and ready to surmount whatever difficulties might present themselves.

Turning to the text before them — "whereas the process of rationalisation must be applied with care in order that the legitimate interests of the workers may not be injured" — was there any responsible employer in the Conference who would dispute that that was a fair and equitable proposition? The next clause, "and suitable steps must be taken in cases where rationalisation may involve, in the early stages, unemployment or more arduous conditions of work", did not lay down any stereotyped method, but merely emphasised the principle that, if hardship was going to be inflicted on the workers, even temporarily, *suitable steps* must be taken to meet that condition of things.

That was a matter of common equity. Wherever labour was made more arduous, that fact was made a reason for extra remuneration. It was unfortunate that the two particular clauses to which labour attached importance should be the subject of such discussion, and he hoped that the Committee would not accept any amendment but would adopt the report of the Drafting Committee in the form in which it had been presented.

M. de Peyerimhoff (France), Rapporteur, stated that they were departing from the economic point of view. The authors of the counter-scheme had had three preoccupations, of which the first was concerned with the relations between the directors and the personnel in factories; the statements of the Rapporteur and those of M. Fontaine would give every satisfaction to the Scandinavian delegate.

As regards the expense in connection with the unemployment which might arise from the first stage of rationalisation, they had been told that such charges would fall on the State, the province, *département* or *commune* and that, in consequence, the expenses of employers would not be increased.

The third preoccupation of the authors of the counter-proposal was that rationalisation should not be hindered by the fear of the social and financial difficulties which it might raise. These were the reasons for the addition proposed by M. Fontaine, which he thanked the workers for accepting.

He therefore asked the employers to accept, in the same spirit of conciliation as shown by M. Jouhaux, M. Fontaine's amendment in the following form:

"Rationalisation must be applied with care in order that the legitimate interests of the workers may not be injured, and, while pursuing the process of rationalisation, suitable steps," etc.

M. Lundvik (Sweden) insisted upon his motion to refer the question to the Drafting Committee.

The motion to refer the question was put to the vote and was lost.

The Chairman proposed that the Committee should vote upon the proposal as amended by the Rapporteur.

M. de Peyerimhoff (France), Rapporteur, read the amended text, which was as follows :

“ And whereas rationalisation must be applied with care in order that the legitimate interests of the workers may not be injured, and suitable measures must be taken which do not impede the process in cases where it, in the early stages, may involve unemployment or more arduous conditions of work ;

“ And whereas rationalisation requires, in all that concerns an organisation of labour in the strict sense of the term, the co-operation of employees and the assistance of professional and industrial organisations and of scientific and technical experts... ”

This proposal was put to the vote and adopted, together with the draft recommendations as far as the end of point 2 of paragraph (a).

Sir Ness Wadia (India) proposed the addition of the following words to No. 3 of paragraph (a) :

“ Nevertheless, it will be difficult to make such improvements without the concerted action of these countries which are in direct competition. ”

The amendment drew attention to the fact that, if the conditions of labour were not analogous, there could be no rationalisation.

M. de Peyerimhoff (France), Rapporteur, while respecting the motives of the intervention of the Indian delegate, said that, if they accepted the ideas he had expressed, rationalisation would be much retarded. It rested on the individual keenness of individual directors of undertakings, which must not be hindered.

M. Fontaine (Chairman of the Governing Body of the International Labour Office) thought that conditions of labour ought to be the subject of international conventions, but that this question was not one to be raised here. There was another assembly which was dealing with this particular problem and where they would continue to demand the ratification of Conventions on the eight-hour day as well as the other Conventions drawn up by the International Labour Organisation.

Rationalisation did not place those who took it up in a worse position than that of their competitors. On the contrary, it placed them in a far more advantageous situation. The speaker asked that questions of labour which had no connection with the question of rationalisation should be dealt with in the assembly directly concerned with them.

Sir Ness Wadia (India), in reply to the Chairman, said that, in view of M. Fontaine's remarks, he would withdraw his amendment.

Paragraph 3 was then carried.

Paragraphs (b), (c) and (d) were also carried without discussion.

M. Liubimoff (U.S.S.R.) made the following declaration :

“ The Soviet delegation opposes the suggested resolution in view of the fact that the realisation of rationalisation in all those countries whose economic system is founded upon the principles of private property must inevitably turn against the working classes.

“ The whole importance of rationalisation, understood as a more exact and rational organisation of labour in the interests of general society and not only of proprietors of industrial and commercial enterprises, can only be put into practice in cases where, as in the U.S.S.R., the ownership of the means of production belongs to the public itself.

“ The measures proposed by the Committee cannot assure the workers the safeguarding of their interests during the enforcement of rationalisation. In order that rationalisation be not adopted at the sole expense of the working classes and that it may not increase their moral and material exploitation, it is indispensable to take steps which, by removing the attacks against the workers' rights and organisations, should guarantee the integrity of the rights of trades unions, of the right to strike, the just enforcement of the eight-hour day, a gradual decrease in the working day and the increase of wages where rationalisation is applied so as to demand more intensified work. These measures must likewise guarantee to workers unemployed on account of rationalisation allowances for a long period and of a reasonable amount, together with various other advantages.

“ Such steps will certainly not remove all the pernicious effects of rationalisation applied by employers to the complete disorganisation of post-war world economy. It will only be possible to lessen these disastrous effects for the working classes by a considerable rise in the level of wages, by a reduction of unproductive expenditure for military purposes, by the cancellation of war debts and reparations, together with increased economic connections with the U.S.S.R. and the adoption of the measures proposed in the statements of the Soviet delegation in plenary meetings, notably in the speech of M. Obolenski-Ossinski.”

M. de Peyerimhoff (France), Rapporteur, regretted that the Soviet delegation, from which the Committee had hoped to receive a certain amount of collaboration, had only brought dogmatic declarations and criticisms. Certainly they did not expect a great deal from that great country whose industry at the present moment had the highest general expenses in the world, the highest costs of production, and where the cost of living was also the highest in the world, and which, in exchange for the satisfaction to each of its workers of possessing a 120-millionth part of the factory where he worked, could only give him conditions of pay and living inferior to those of the most wretched worker of a bourgeois State. They had not, however, even received the little help that they had expected. The Committee noted it and the Conference would appreciate it.

Mr. Hunt (International Institute for Scientific Management) recalled that Sir Arthur Balfour had pointed out that the French and English texts did not agree exactly, and added that, if the French text alone were followed, certain essential ideas would be omitted. The English Preamble included “ distribution ” along with

"production" as subject to rationalisation. That point was omitted in the French text. "Scientific management" seemed to him a better English translation of "l'organisation scientifique du travail" than "scientific organisation of labour". "Professional organisations" in English meant technical not trade groups. The French expression meant trade groups. That point should be clarified.

In Article 3, the English translation of "rendement" as "the fruits of his labour" was inexact. The statement would be strengthened if "rendement" were translated "output", if "son" in the French text were omitted before "rendement", and if the English text were to read "methods of remuneration which give the workers a fair share in any increase in output".

Mr. Hunt said that he spoke not only for the International Committee for Scientific Management but for the American representatives in giving adherence to the text of the Drafting Committee.

M. Mauro (International Institute for Scientific Management) thanked the Committee for having included such a large space for rationalisation in its programme of discussions. The organisation which he represented would continue to study these questions and would pursue their practical application in the common interest of employers and workers.

The Chairman proposed that the Committee should now proceed to vote upon the resolution as a whole.

M. Gelderman (Netherlands) proposed to adjourn the vote on the whole draft resolution until the Committee had before it the three drafts, of which only two had at present been submitted.

M. Loucheur (France) asked the Committee to take a vote since the discussion was now at an end.

M. Gelderman's proposal, supported by M. Zimmerman, was rejected and the resolution on rationalisation was adopted.

2. — EXAMINATION OF DRAFT RECOMMENDATIONS PRESENTED BY THE DRAFTING COMMITTEE ON DOCUMENTATION¹.

M. de Peyerimhoff (France), Rapporteur, read the draft recommendation presented by the Special Committee in connection with statistics.

M. Steenberghe (Netherlands) thought that they asked for too many details which manufacturers would consider as much too dangerous from the point of view of competition. He asked in particular that they suppress the statistics as regards wages.

M. de Peyerimhoff (France), Rapporteur, assured M. Steenberghe that it was not a question of asking for individual statistics from particular businesses, but for general national information.

As regards wages, M. de Peyerimhoff thought that it was of the utmost importance that these should be made public, in collective form, for their publication would allow them to estimate the degree of prosperity of each nation Member of the League of Nations.

M. Steenberghe (Netherlands) expressed himself as satisfied with M. de Peyerimhoff's statement.

M. Curcin (Kingdom of the Serbs, Croats and Slovenes) thought that, in the third paragraph of Section I, the expression "commercial prosperity" was hardly appropriate.

M. de Peyerimhoff (France), Rapporteur, proposed that the word "prosperity" be replaced by the word "activity".

Dr. Curcin (Kingdom of the Serbs, Croats and Slovenes) accepted this proposal.

M. Liubimoff (U.S.S.R.) stated that, while accepting the principles of the draft resolution, the U.S.S.R. delegation proposed that the compilation and detailed study of statistical information be entrusted to the International Institute of Statistics at The Hague, which was an organisation of an entirely scientific and unpolitical nature.

He thought, moreover, that the statistical study of world economic phenomena might likewise be extended to agriculture, commerce, credit and finance in order to include the whole world economy.

M. de Peyerimhoff, (France), Rapporteur, objected to the amendment proposed by M. Liubimoff, as this would entirely do away with the plan of work hitherto contemplated.

M. Liubimoff (U.S.S.R.) maintained his proposition.

M. Fontaine (Chairman of the Governing Body of the International Labour Office) was convinced that the International Institute of Statistics would not fail to comment upon the various statistical documents sent to it, but that it was useless to express such a wish in a resolution. He remarked that censuses of production and trade must necessarily be carried out by the respective States and that it would be childish to ask them not to comment on them. They might, however, ask for the publication of more precise and detailed figures, so that each might study these questions.

M. Steenberghe (Netherlands) thought that they might omit recommendation (b), which dealt with the resolutions of the sixteenth session of the International Institute of Statistics, whose authoritative character did not require endorsement.

M. de Peyerimhoff (France), Rapporteur, stated that he had not personally read the resolutions of the sixteenth session of the International Institute of Statistics, but he had no doubt that the projected organisation would not fail to take note of them.

This being so, he accepted the suppression of part of the sentence in paragraph (b) on the lines indicated by the International Institute of Statistics at its sixteenth session.

As regards the basic suggestion of taking a periodical census, particularly in the bigger industries, the Rapporteur considered this very important and recalled that the "census" taken every two years in America provided excellent documentation.

M. Liubimoff's amendment was put to the vote and rejected.

Paragraph I (b) was adopted, with the suppression of the sentence "on the lines indicated by the International Institute of Statistics during its sixteenth session".

¹ For the text, see page 167.

Recommendation 2.

M. de Peyerimhoff (France), Rapporteur, stated that he was ready to accept the amendment made by M. Lammers, replacing the passage:

"That the Economic Organisation of the League of Nations should take all suitable measures with a view to reaching *international agreements among the chief industries* with reference to the definition of the terms..."

by the following:

"That the Economic Organisation of the League of Nations should take all suitable measures with a view to reaching *international agreements among Governments in collaboration with the chief industries* with reference to the definition", etc.

This amendment was carried.

Recommendation 2 was adopted without discussion.

Mr. Robinson (United States of America) said that his colleagues and he had been impressed by the value of the work done by the Economic Organisation of the League of Nations and by the Preparatory Committee. The collection of documents which they had laid before the Conference had been notable in helping to a better understanding of the economic problems of the world. The Conference, in various resolutions, had asked the Economic Organisation of the League of Nations to undertake new activities which his colleagues and he felt very desirable. However, as their country was not a Member of the League of Nations, they hesitated to vote for that part of the recommendations.

With regard to paragraph (a) of 3, he suggested the insertion of the words "and organic development" after the word "conditions". He felt

that "statistical reports" would limit the matter too much and that the broader reports which had been published by the League of Nations were the type of report that was needed. They contained general statements as well as statistics.

M. de Peyerimhoff (France), Rapporteur, expressed the Committee's regret that America was unable to associate itself with the work of statistical investigation, of which it had already given them such an excellent example.

The draft text as adopted by the Committee would be referred to the Co-ordination Committee, which would doubtless find means to arrange for the general collection, organised under circumstances permitting America, even though not a Member of the League of Nations, to collaborate.

On the second point, the Rapporteur proposed the following text:

"(a) Statistical and general reports of an international character with reference to the organic development and the general conditions obtaining in different branches of production", etc.

Mr. Robinson (United States of America) accepted this text, and *paragraph (a) was adopted as follows:*

"Statistical and *general* reports of an international character with reference to the *organic development* and the general conditions obtaining in different branches of production, beginning with the basic world industries."

The resolution was adopted as a whole.

The Chairman stated that the proposals referring to international ententes would be dealt with at the next plenary meeting.

TWELFTH MEETING

Held on May 20th, 1927, at 11 a.m.

Chairman: Dr. F. Hodáč (Czechoslovakia).

1. — DEFINITIVE TEXT OF RESOLUTIONS ALREADY ADOPTED

The Chairman recalled that Sir Arthur Balfour had asked for certain rectifications in form in the text of the resolutions already adopted on rationalisation and documentation.

The Co-ordination Committee said that this lay outside their province, and thought it was the duty of the Committee on Industry itself to make any alterations in its text. He thought this rectification might be effected by the Rapporteurs in agreement with Sir Arthur Balfour.

M. Mertens (Belgium) thought the modified text should be submitted to the Committee, for he was afraid that an alteration in form might prove an alteration in substance.

M. Loucheur (France) and M. Pirelli (Italy), Rapporteur, said they would not alter the substance

of the resolutions under the pretext of modifying their form.

M. Mertens (Belgium), who had not wished to make any insinuations against either M. Loucheur or the Rapporteurs, accepted M. Loucheur's proposal.

This proposal was adopted¹.

2. — GENERAL REPORT.

The Chairman said that the text of the general considerations prepared by the Bureau and the Rapporteurs as a preface to the resolutions adopted would be immediately distributed, but suggested that they should not discuss it, as it would be

¹ See the definitive text of the resolutions and the report, Volume I.

understood that every member of the Committee would have the right to inform the Rapporteurs of any useful observations before night¹.

This proposal was adopted.

3. — DRAFT RESOLUTION ON INDUSTRIAL ENTENTES SUBMITTED BY THE DRAFTING COMMITTEE².

M. Wessel (Norway) reminded the Committee that he had drawn up a proposal on this question³.

Experience of industrial ententes had revealed monopolistic tendencies. But these questions did not concern the League of Nations, and he suggested that only the States themselves were competent to regulate national cartels. As, however, his proposal was negative in character and a positive solution was desired, he withdrew it in favour of the text of the Drafting Committee.

The Chairman thanked M. Wessel and stated that the Committee had now before it one proposal, that from the Drafting Committee.

Dr. Curcin (Kingdom of the Serbs, Croats and Slovenes) emphasised the fears and hopes to which these industrial ententes gave rise. The public was particularly afraid that they might result in an increase of prices. Their supporters hoped that they would favour economic development and would allow a reduction in selling prices without a reduction of wages, and would establish a normal equilibrium between production and consumption. In any case, such development would only be the result of slow and sporadic progress, and it would be best to endeavour to encourage the salutary tendencies of these ententes, while avoiding their abuses.

The task of the Rapporteurs had certainly not been easy, and the speaker congratulated them on having reached a text which gave practical satisfaction to everyone.

M. Jouhaux (France) regretted that he had been unable to be present at the Drafting Committee's last meeting, and had therefore not been able to formulate his reservations and objections.

He regretted that they had apparently decided on the impossibility and uselessness of legislation on industrial ententes. So far as he knew, the United States and Germany were the only two countries which had hitherto legislated as to cartels, but the figures furnished by the Special Council in the United States showed that the number of complaints registered and of complaints found to be justified were continually increasing, and these two facts proved the value of legislation in this direction.

M. Jouhaux thought that, in making a formal statement in favour of cartels, these organisations should be asked to produce the guarantees essential for consumers. The absence of national legislation in most countries did not exclude the necessity for international legislation. He recognised that it was difficult to contemplate an international juridical institution, but he did not think that it was impossible to establish an elastic and useful method of regulation which would not impinge upon the sovereignty of States or upon the free development of industrial ententes. M. Jouhaux asked what were the objections to the registration and publication of the rules of international ententes, together with their contracts.

¹ See the definitive text of the resolutions and report, Volume I.

² See page 169.

³ See page 168.

As regards the process of arbitration recommended in case of disputes between members of ententes, M. Jouhaux thought that it was contrary to the idea of justice that those who were responsible for a wrong should be called upon to judge in their own case. He thought that the part of the recommendation concerning documentation and investigation was a great deal too vague.

M. Jouhaux, therefore, could not accept the text proposed; nevertheless, he paid tribute to the work of the Rapporteurs, and recognised the extreme difficulty of drawing up a text which would meet all the different points of view.

But a Conference of this kind, on which the eyes of the world were fixed, could not give its approval to industrial ententes without at the same time providing, as an indispensable and essential corollary, for those measures of supervision and publication of information which would permit of the necessary propaganda in either sense among the people.

M. Toennisson (Estonia) said that the present tendency to check economic forces by means of international cartels implied a reaction against complete economic liberty. This reaction was justified only on condition that it reduced economic difficulties. Cartels should protect industry against over-production and against destructive periodical crises, and lead to a reduction in the cost of production and in prices in general, and lower general cost prices, without giving rise to monopolies or holding back artificially the raw materials necessary for other industries or for other nations.

Public opinion or mixed international committees seemed to provide adequate means of securing effective control over industrial cartels. This was obtainable only through the participation of Governments, though they must avoid all bureaucratic regulations, which would paralyse initiative.

The control of international cartels by each State could only be very limited, and therefore only the League of Nations was in a position to ensure control with the participation of all the States interested. In this way the cartel legislation of the various countries might be unified.

Mme. Freundlich (Austria) recalled that she had submitted a draft¹ viewing the organisation of national control as a step towards international control. It was regrettable that the draft presented by the Drafting Committee did not contain such a suggestion. They had proposed that the League of Nations should begin to organise publicity, but without stating which organ of the League of Nations would be entrusted with the task. Under the circumstances, the speaker stated that she would reserve her vote until the decision of the Co-ordination Committee was known.

M. Balodis (Latvia) said that, though he had been able to support the Drafting Committee's text dealing with rationalisation and statistics, he could not approve of the proposals in cartels. While optimists said that cartels sold their products at the lowest possible prices, there were pessimists who claimed that Europe could not attain her pre-war prosperity owing to the exaggerated prices developed by the great cartels. Thus, after the rationalisation of the iron and steel industries in Germany, there was a tendency to increase prices. Similarly, the cost of production of potassium salts only represented 50 per cent of the selling prices. These measures are harmful to agriculture.

¹ See page 168.

They must therefore endeavour to find a really effective method of control of the fixing of prices and of the profits of the great industrial cartels, for the advantage not only of the great industrial and semi-industrial countries but also of the small and especially of the agricultural countries.

M. Sokolnikoff (U.S.S.R.), replying to the observations made by M. de Peyerimhoff at the eleventh meeting, gave the following explanations :

1. That the level of wages in the U.S.S.R. had very appreciably increased during the last three years (passing from 36 to 58 roubles); it continued to increase and now reached 10 per cent above the pre-war standards.

2. Even if cost prices had increased, this depended on the general level of prices, which had undergone an appreciable reduction since 1923 (from 270 to 185).

3. Though general conditions in the U.S.S.R. were extremely difficult, it must be remembered that they suffered from immense disorganisation caused by the armed intervention of fourteen States on their territory.

He then read the following declaration :

"The delegation of the U.S.S.R. declares itself against the proposed resolution, and states that this does not express a well-determined opinion on international cartels.

"The contradictions in the draft resolution are a reflection of those existing between the industrial groups of the different countries and the interests of powerful industry in the richest countries, and those of the weaker industries of countries of an agricultural or colonial nature, which fear the further enforcement of the tyranny of the great international capitalistic organisations on the world market.

"Moreover, these uncertainties and contradictions in the draft resolution have arisen from the necessity of taking into account the opposition of the working masses and of consumers who are faced, in spite of the statements as to the beneficial results of cartels, with the threat therein of a new form of Employers' Union tending to increase enormously the dominating power and profits of capital.

"The delegation of the U.S.S.R. has no doubt that international cartels will continue to develop and to grow, since this progress is a necessary result of the tendency of capitalistic economy to concentrate and centralise.

"The delegation of the U.S.S.R. notes in particular that this process of international cartellisation will inevitably increase the struggle against monopolistic organisations, and will emphasise the opposition between those who lay claim to the domination of the world.

"The increase of productive forces and the technical revolution of the twentieth century have brought the inescapable abolition of the limits to the development of production arising from the existence of separate States and the maintenance of the private ownership of the means of production.

"The agreement for the pacific organisation of world economy, which it had been impossible to attain by combines and alliances of employers, would be possible for States whose national economy was placed in the hands of the working classes.

"The dangers arising for the working masses through international cartellisation can only be avoided by the simultaneous strengthening of the political and economic organisations of the

proletariat, and in particular by the rapid realisation of the unity of trade-union organisations in all countries.

"It is equally indispensable, in order to combat the policy of international cartels towards high prices, to endeavour to obtain State regulation of products of international cartels in the interests of consumers.

"The delegation of the U.S.S.R. states at the same time that, taking the co-existence of the two systems as a point of departure, the economic organisations of the U.S.S.R. in industry and commerce do not render impossible their participation in international ententes, within which they would defend a line of conduct in conformity with the principles of Soviet economy, i.e.; in conformity with the interest of the mass of workers, consumers and countries threatened by the dominating tendencies of the monopolistic organisations of capital."

M. Zimmerman (Netherlands) did not agree with Mme. Freundlich, who thought that the draft resolution marked the first step towards the control of international ententes. The word "publicity" had never meant "supervision".

Mr. Robinson (United States of America) referred to the excellent and interesting documentation on the subject of cartels, and stated that, as the United States were not in favour of Government participation in industry and commerce, they had made the following declaration :

"The discussion on cartels in the Committee on Industry and the resulting resolutions now before the Committee have not brought out clear definitions of cartels and other combinations, but have shown that there is interest in further study of and possible development in the general direction of control agreements and industrial integrations. The discussions and resulting resolutions have quite fully pointed out the direction and scope of the movement.

"As was outlined in the address made by the member from the United States of America before the fifth plenary session of the Conference, certain problems that grew out of control agreements and combinations of industrial units in the United States have been met by restrictive legislative action, and to-day the attitude and policy of the American people are expressed in the existing legislation and court decisions relating to this subject.

"In addition to this, the delegation of the United States believes that the American people would be opposed to international cartels and combinations involving Governmental participation, and would be equally opposed if the outcome of cartellisation should prove to be monopolistic.

"Because of these considerations, we feel that we should abstain from participation in the vote on these resolutions."

M. Pirelli (Italy), Rapporteur, explained the slight changes which had been made in the English text of the draft resolution. He stated that the Drafting Committee had endeavoured to give an objective description of the present situation with regard to industrial ententes, and he hoped that the unanimity which they had attained in the Drafting Committee would find confirmation in the plenary Committee.

He remarked, however, that several representatives of the workers had attended the meeting of the Drafting Committee, and had made statements which had been taken into account by

the Drafting Committee. M. Oudegeest, replacing M. Jouhaux, had been among these representatives, and M. Pirelli had not therefore expected M. Jouhaux to make reserves in the draft text. He thought that M. Jouhaux desired rather to make a declaration of principles than any fundamental objections.

In reply to M. Sokolnikoff, M. Pirelli remarked that the Soviet delegates had given the impression in all their declarations that they had reached an earthly paradise; and M. Sokolnikoff, replying the other day to M. Olivetti, had said that he did not like systems which were doing a little evil in order that good might come. He thought that this remark was not lacking in humour coming from the Soviet delegation. Were not the Soviets the cartel of cartels? Had their population really benefited? But he would confine himself to stating that, if all the countries of the world had reduced their production to the same extent as had Russia, the consumers of the world would be in an extremely unfortunate position.

In conclusion, M. Pirelli hoped that the Committee would be unanimous — with the exception of the benevolent abstention of the American delegation and probably that of the Soviet delegation — in adopting the report which would be the result of the Committee's labours and good will.

M. Jouhaux (France) observed that his official deputy in the Drafting Committee had been hampered by his inadequate knowledge of the French language. He would abstain from voting,

for the reasons which he had given. In particular, he would refer to the following sentence in the Drafting Committee's text: "So far as regards international agreements, it is unanimously recognised that the establishment of an international juridical régime is impossible". He could not accept the word "unanimously", still less the word "impossible", which was not French.

M. Pirelli (Italy), Rapporteur, proposed to change "unanimously" to "generally".

The Chairman took note that the delegations of the United States, the U.S.S.R. and M. Jouhaux refrained from voting, and that the text would read "generally" instead of "unanimously". He now put the Drafting Committee's text to the vote¹.

The proposal of the Drafting Committee was carried by a show of hands, the delegation of the U.S.S.R. voting against.

4. CONCLUSION.

M. Loucheur (France), rising on behalf of the Committee, thanked the Chairman and the Bureau for the work which they had accomplished.

The Chairman thanked all those who had co-operated in this difficult work, and declared the discussions of the Committee on Industry to be closed.

¹ See the definitive text, Volume I.

WORK OF THE DRAFTING COMMITTEES

Three Drafting Committees were constituted: namely, for Rationalisation (sixth plenary meeting of the Committee), for Statistics and Documentation, and for Industrial Agreements (eighth plenary meeting).

A. RATIONALISATION.

The Drafting Committee for questions of rationalisation held three meetings, on May 12th and 13th.

It had before it the three following drafts:

1. DRAFT BY M. MAURO (INTERNATIONAL INSTITUTE FOR SCIENTIFIC MANAGEMENT)¹.

Whereas the improvement of the economic situation of the Old World, and more particularly the establishment of an even balance between its enhanced powers of production and its inadequate markets, depend primarily on the reduction of costs of production and the expansion of its markets,

As regards the costs of production:

Whereas a reduction of costs cannot be effected by reducing wages, but must rather be sought through the acceleration and universal extension of efforts for a more rational and more intense organisation of production;

¹ This draft was subsequently amended by its author.

And whereas such rationalisation aims simultaneously at:

Securing the maximum efficiency of labour with the minimum of effort; avoiding waste of raw materials and of energy; simplifying the distribution of commodities and liberating it from disastrous competition, disorganised transportation, ruinous overhead charges and the multiplication of superfluous middlemen;

Its attainment should be sought, according to circumstances, either by the individual producer or by vocational organisations, or again by national institutions or, lastly, by international organisations for documentation and research;

And whereas in investigations of this kind experience has shown that great advantages may be derived — quite apart from inventions, in the ordinary sense of the word — from the assistance of scientific experts, more particularly in the sphere of mechanics and physiology;

And whereas, in all that concerns the organisation of labour, the direct co-operation of the workers or of their representatives is desirable both from the psychological and the vocational point of view;

And whereas, finally, the increased margin of profit obtainable by "rationalisation" ought not to accrue solely to the producer, but a just proportion of it should be reserved for the workers and for the public in the form of improved conditions of labour on the one hand and a

corresponding reduction of prices on the other hand :

The Conference recommends the vocational organisations and the Governments :

To guide the efforts of the producers in the directions indicated above ;

To give their support to the vocational or scientific institutions which seek to prepare or facilitate such efforts ;

To propose and to encourage the international exchange of information and documentation on this subject.

As regards the expansion of markets :

1. Whereas the home market offers for every branch of production the most direct, most natural and most reliable outlet :

Whereas the supply of that market as regularly and completely as possible is the first duty of every industry, and whereas to enrich that market, while at the same time enriching the industry itself, is the surest route to prosperity and development ;

Whereas, bearing these considerations in mind, no system of production can be regarded as sound or enduring in its development unless the politics and finances of the country are conducted on sound lines ;

Whereas, in the same way, the progressive increase of wages, the payment of adequate salaries to officials and just measures for the protection of acquired wealth are essential for the development of consumption and for the prosperity of business enterprises ;

And whereas the organisation of such enterprises in the form of agreements of different kinds appears, in the light of experience, to be adapted :

To eliminate purposeless and ruinous competition ;

To enable plant to be utilised to the best advantage ;

To justify the making of plans for the future and the conclusion of long-term engagements involving credits or liabilities ;

To open the way, by providing for security and regularity of output, to improvements and developments of plant, to changes in organisation, and to the rational re-grouping of businesses ;

To facilitate the scientific evolution of production and distribution ;

And, lastly, to ensure permanence and regularity of employment for the workers ;

Whereas, nevertheless, such results, important as they may be, can only be regarded as desirable so long as the said agreements avoid causing detriment to the interests of consumers, who are entitled to expect that their supplies shall continue under conditions at least as favourable as before, both as regards price and quality ; or to the interests of the workers, whose rates of pay must not be prejudiced by the reorganisations of industry ; or, lastly, to the interests of the nation, which is bound to preserve the basic structure of its vital industries ;

And whereas it is considered that the general adoption of such industrial agreements (subject to the conditions and reservations mentioned above) may be favourably regarded, though it is fully recognised that they cannot be extended to all branches of production ;

The Conference recommends :

That national legislations should cease to ignore industrial and agricultural agreements, or to regard them as objects of suspicion, but should endow them with a regular status ;

That, in order to afford the public authorities the necessary facilities for information and supervision, such industrial agreements should be required, as a condition of recognition, to furnish regular statements.

2. Whereas the efforts which are being made for the establishment of that equilibrium so necessary both for international production and consumption may point to the advisability, in the interests of producers and consumers alike, of giving international extension to certain national agreements which affect standard articles having a worldwide sale ;

Whereas the establishment of international co-operation between producers in one and the same industry is calculated to increase points of contact, to render progress more widespread, and to inculcate the doctrine and practice of economic solidarity, the surest guarantee and mainstay of peace ;

Whereas, by eliminating, in some of the organised branches of production, the most prolific causes of conflicts between producers in different countries, these agreements should serve to counteract the influences which are most active in promoting high Customs tariffs, and should tend at the same time to provide enlarged markets and improved facilities for consumption ;

Whereas, on the other hand, such agreements must on no account impose a costly servitude on the consuming countries ; weaken the economic structure which each nation considers indispensable ; or set definite bounds to the development of some branch of production which the country regards as vital ;

And whereas, if any abuses of this nature should assume a serious or permanent character, they would infallibly arouse the attention of public opinion, which would speedily intervene with decisive authority ;

And whereas such abuses would before long lead to renewed competition, or to justifiable intervention by the public authorities, who are the natural representatives of the consumers and the custodians of the national interests ;

And whereas in regard to all these points it seems desirable to organise a centre of international information and documentation regarding such questions :

The Conference recommends :

That the League of Nations should organise at Geneva a documentation and statistical office, which should collect all useful information both as regards the nature and purpose of international industrial agreements, and as regards their consequences from the standpoint of conditions of labour, their effect on supplies, and the movement of prices ;

That each State should be requested to forward to the aforesaid office any notifications of international agreements which the authorities may receive ;

That the said office should also be furnished, on request, with any documentation which it may wish to acquire.

3. Whereas the taking of action to give effect to the whole of the above recommendations should apparently constitute one of the primary tasks of the Economic Committee of the League of Nations ;

And whereas this task would be materially facilitated if the Committee, as at present constituted, were enlarged by the addition of a certain number of members who would

not directly represent their Governments but would be chosen by the latter in view of their qualifications and their personal competence in the questions referred to above :

The Conference recommends that the attention of the League of Nations should be drawn to the question of enlarging the functions and the composition of the Economic Committee in the sense of the above observations.

2. PROPOSAL BY M. HEINL (AUSTRIA) (EXTRACT).

Accordingly, I have the honour to propose that the International Institute of Rationalisation at Geneva should be officially invited to devote special attention in the course of its work and investigations to the particular problems connected with the rationalisation of small undertakings, whether in trades or in agriculture.

I am not, however, thinking of purely theoretical and scientific investigations, but rather of an enquiry for the purpose of ascertaining the practical experiences of other countries, the reforms and methods which have been found satisfactory, the difficulties which have been met with, the means by which these difficulties have been overcome, etc.

Work of this kind would undoubtedly be very warmly welcomed by all countries where there are small trades, industries or undertakings of any kind.

3. DRAFT BY MME. FREUNDLICH (AUSTRIA), MRS. BARBARA WOOTTON (WORKERS' EDUCATIONAL ASSOCIATION), DR. M. E. LÜDERS (WOMEN'S INTERNATIONAL LEAGUE).

The Economic Conference notes that national and international economy is based not only on the activity of industrial and agricultural producing enterprises but also on the activity of hundreds of millions of small economic units, namely, the homes in which mothers rear their children, that is to say, the future generations. Even from the economic point of view only, the importance of the household as a consumer and a manufacturing agency is not sufficiently recognised. In the household we may discover fresh inspiration for the rationalisation of products and methods. Hitherto, production has not tried to meet household needs in a rational manner. Raw materials, energy and capital are wasted, which might be saved if housewives were consulted regarding the needs of their households, and if the goods produced were really of a practical character.

The Economic Conference recommends :

That in each country committees should be set up consisting of an equal number of representatives of housewives and manufacturers. It would be the duty of these committees, as is the case in Germany :

(a) To establish for all household articles practical types which economise labour both in the home and in industrial production ;

(b) To facilitate purchase with a view to substituting improved apparatus for old utensils ;

(c) Generally speaking, to encourage the rationalisation of household work and thereby increase the stability of outlets for industries which have properly adapted their production to the recognised needs of housewives.

The result of the work of these national committees should be sent in to the competent technical organs of the League, which would in turn communicate the results of experiment and research to all national committees.

4. DRAFT BY M. TREPKA (Poland).

It is desirable that steps should be taken, under the auspices of the League of Nations, to co-ordinate the efforts now being made towards rationalisation of industry in the widest sense of the term, whether it be directed towards standardisation of raw materials or products, unification of processes, improved methods of packing, or other similar ends, and that information should, as far as possible, be centralised with regard to the methods employed and the experience gained in national investigations connected with the rationalisation and organisation of industrial production.

5. DRAFT BY SIR NESS WADIA (India).

This Committee :

Recognising the vital importance of rationalisation and scientific management in industry ;

Believing that an improvement of the status of labour is a necessary preliminary to the application of these principles ;

And realising the difficulties which hinder the improvement of labour conditions except on the basis of universal and simultaneous action :

Places on record the desirability of greater co-ordination in the formulation and application of Labour Conventions and other measures designed to raise the physical and mental standards of all classes engaged in industry.

6. DRAFT BY DR. WEBER (SWITZERLAND).

1. Rationalisation ought to be introduced in connection with, and with the agreement of, organised labour.

2. If rationalisation entails an increase of physical and psychical exploitation of labour, working hours should be reduced and rest periods provided for.

3. The reduction of the costs of production obtained by rationalisation should lead to an increase in wages and a reduction of the prices of products.

4. All precautions should be taken to avoid unemployment.

It was found possible at the outset to take as a basis the very complete draft of M. Mauro and to incorporate in it the ideas set forth in the other drafts : the rationalisation of small industries (Draft No. 2) and of household utensils (Draft No. 3), the improvement of the methods of collecting information (Draft No. 4) and social considerations (Drafts Nos. 5 and 6).

After having explained their views on the national and international character of standardisation, the Rapporteurs, M. Mauro and M. de Peyerimhoff, drew up a joint text, which was adopted with some alterations by the Drafting Committee on May 14th in the following form :

7. DRAFTING COMMITTEE'S TEXT.

Whereas the rational organisation of production and distribution is the principal factor in increasing output, improving conditions of labour and reducing prices ;

And whereas such rationalisation aims simultaneously at :

- (1) Securing the maximum efficiency of labour with the minimum of effort ;
- (2) Facilitating by a reduction in the variety of different patterns (where such variety has no obvious advantage) research into the manufacture, use and replacement of standardised parts ;
- (3) Eliminating waste of raw materials and power ;
- (4) Simplifying the distribution of commodities ;
- (5) Eliminating ill-organised transport, excessive financial burdens and the multiplication of useless middlemen ;

And whereas the judicious and constant application of this process of rationalisation is calculated to secure :

- (1) To the community, greater stability and a higher standard of life ;
- (2) To the consumer, lower prices and goods more carefully adapted to all his needs ;
- (3) To the various categories of producers of every class, larger and more certain remuneration to be fairly distributed among them ;

And whereas the process must be applied with care in order that the legitimate interests of the workers may not be injured, and suitable steps must be taken in cases where rationalisation may involve, in the early stages, unemployment or more arduous conditions of work ;

And whereas rationalisation requires, in all that concerns the organisation of labour in the strict sense of the term, the co-operation of employees and the assistance of professional and industrial organisations and of scientific and technical experts :

The International Economic Conference recommends that Governments, public institutions, professional and industrial organisations and the general public should use their influence :

(a) To persuade producers to direct their efforts along the channels described above, and in particular that they should :

- (1) Encourage and promote in every possible way the ascertainment and comparison of the most efficient methods and the most practical processes for the rationalisation and scientific organisation of labour and of their economic and social effects ;
- (2) Apply this process in industry, agriculture, trade and finance not merely to large-scale undertakings but also to medium-sized and small undertakings, and eventually to handicrafts and to trades, bearing in mind the useful results it is likely to have in the organisation and the requirements of domestic life ;
- (3) Direct special attention to suitable measures for ensuring the best, healthiest and most dignified employment of labour, such as occupational selection, guidance and training, the distribution of labour and leisure, methods of remuneration which give the worker a fair share in any increase in the fruits of his labour, and, in general, conditions of labour and living favourable to the development and strengthening of his personality ;

(b) Carry on systematically on an international as well as a national basis the standardisation of materials, parts, and products for all types of goods of international importance, in order to remove the obstacles to production and trade that might arise from a policy of purely national standardisation ;

(c) Undertake investigations on an international scale with a view to ascertaining the best methods employed and the most conclusive results obtained in every country in the application of the principles set forth above, making use of the investigations already made in certain countries, and encourage the exchange of information among those concerned ;

(d) And diffuse in every quarter a clear comprehension of the advantages and obligations involved by rationalisation and the scientific organisation of labour, and the prospects of gradually carrying these ideas into effect.

8. DRAFT OF M. MUNCK, M. LAVONIUS, M. WESSEL AND M. LUNDVIK.

At a later period, the following text was submitted by M. Munck (Denmark), M. Lavonius (Finland), M. Wessel (Norway) and M. Lundvik (Sweden).

Considering that the development of all branches of the industrial activity towards the perfection of the means of production, the augmentation of the quantity of production and the decrease of costs of production has always been an indispensable condition in order to satisfy the necessities of the growing population and has been the foremost source to augment the welfare of the community ;

Considering that the energetic and persistent continuation of this rationalisation of the economic life is the fundamental condition of the augmentation of production and the decrease of prices, i.e., the creation of the best means of existence for the population and a higher standard of life ;

Considering that the unfavourable effects caused by a better organisation of work in the special case in bringing about a temporary unemployment are best avoided by a greater mobility of raw materials, of capital and of labour ;

Considering that, if these effects cannot be avoided by following this way, they ought to be alleviated by measures taken by the community, which do not prevent adaptation of economic life to the new conditions :

Recommends to the Governments, to public institutions, to industrial and professional organisations and to the public opinion :

To further and advance by all means the scientific, technical and social examination and the comparison of the most adequate methods and the most practical procedures to rationalise and organise scientifically the work, as well as to employ human labour in the best, healthiest and most dignified manner ;

To encourage the international co-operation in order to further develop the best methods employed and the results obtained in all countries in applying the principles of rationalisation.

Considering that standardisation is an important element in the efforts of rationalisation by facilitating, through a small variety of types, in cases where this variety does not offer any

evident advantages, the manufacturing, the use and the replacement of good in series ;

Considering that standardisation offers to the consumers the lowest prices and products best adapted to their necessities :

Recommends that the Governments by appropriate means encourage the efforts made in favour of the standardisation in the different countries, that the work already done in order to co-ordinate these efforts internationally ought to be effectively pursued in order to remove the impediments to the production and to the exchange of commodities which would present a policy of standardisation that is exclusively national.

The Drafting Committee's text, together with that of M. Munck, M. Lavonius, M. Wessel and M. Lundvik, was discussed by the Committee at its tenth and eleventh plenary meetings.

B. DOCUMENTATION.

WORK OF THE SPECIAL COMMITTEE OF STATISTICIANS.

The work of the Drafting Committee in connection with Documentation was prepared by the Special Committee of Statisticians, which had been appointed by the Committee at its fourth plenary meeting. This Special Committee held several meetings, under the chairmanship of M. Neculcea (Roumania) ; it drew up a text which was adopted with certain amendments by the Drafting Committee at its meetings on May 13th and 14th, 1927.

The following is the draft as submitted to the Committee at its eleventh plenary meeting :

The Conference :

I. In view of the facts :

(1) That effective and co-ordinated production can only be achieved in the light of information of a general character, but precise and up-to-date, concerning raw material supplies, output, stocks, prices, wages, employment, etc. ;

(2) That it is desirable that these current data should make it possible to compile for each country with sufficiently developed industries quantitative indices of its industrial production ;

(3) That such information facilitates a proper adjustment of supply to demand and the laying down of a policy of production, counteracting the effects of fluctuations of commercial prosperity ;

In drawing attention to the resolutions which have already been adopted in this connection by the Economic Committee of the League of Nations :

Recommends :

(a) That statistics of this kind should be obtained regularly, for each country, both for the basic world industries and also in order to render possible the compilation of quantitative indices of national production for the chief industries of each country ; and that this information should be obtained, in as far as possible, in collaboration with competent organisations ;

(b) That Governments should periodically take complete industrial censuses on the lines indicated by the International Institute of Statistics during its sixteenth session.

II. *Considering :*

That the practical value of such statistics is dependent on the comparability and uniformity of the data furnished by each State ;

And that it is desirable that adequate publicity be given to this information, and that it may be internationally co-ordinated and employed :

Recommends :

(1) That the Economic Organisation of the League of Nations should take all suitable measures with a view to reaching international agreements among the chief industries with reference to the definition of the terms and the methods employed and the scope of the statistics ;

(2) That the Economic Organisation of the League of Nations should collate the information provided referring to sources and supplies of raw materials, production, stocks, prices, etc., and the International Labour Office that concerning wages, hours of labour and employment, etc ;

(3) That the Economic Organisation of the League of Nations should arrange for the compilation of :

(a) Statistical reports of an international character with reference to the general conditions obtaining in different branches of production, beginning with the basic world industries ;

(b) Special studies concerning the sources of supply of certain types of raw materials, more especially of those a world shortage of which in the future may be anticipated ;

(c) Reviews of the changes which take place in world production and trade, similar to those which have already been published.

C. INDUSTRIAL AGREEMENTS.

The Drafting Committee held five meetings. It considered the various drafts submitted to it, among which were the following :

1. ITALIAN DELEGATION'S DRAFT.

The Conference :

Considering that, in order to improve the world's economic situation, industrial agreements, although their field of action is limited to undertakings already strongly centralised and to products clearly definable, may be useful in promoting technical improvements in production, lower costs of production and distribution, the reduction of prices and the re-establishment of the balance between production and consumption, and also in ensuring to workmen greater stability and better conditions of employment ;

Considering, too, that it is absolutely necessary that these agreements should in no case end in restrictions or discriminations in the supplies of raw materials and basic products, or damage the legitimate interests of the different countries and different industries, or result in crystallising the present situation of production in respect of either technical improvements or the distribution of industries between the different countries in accordance with the requirements of their economic and demographic development ;

Recommends :

That the Economic Committee of the League of Nations should be requested to collect documents, statistics and, in general, all useful information as regards the nature and subject of international agreements and as regards their effect on technical improvements, the development of production, conditions of labour, on supplies and on the movement of prices.

2. POLISH DELEGATION'S DRAFT.

The Conference :

Considering that international agreements in industry and commerce constitute, in principle, one of the most effective means :

Of combating anarchy in production and the abuses of dumping ;

Of guaranteeing the stability of trade and production ;

Ensuring a reasonable return on the capital invested ;

Preserving workers from the disastrous consequences of commercial crises and unemployment ;

Rendering to some extent inter-State tariff barriers superfluous ;

Facilitating the distribution of capital and the spread of new processes and inventions throughout the world ;

Considering, further, that such international agreements are also able to render great services to rationalisation, properly so called, both general (specialisation, standardisation, simplification, etc.) and individual, by branches and undertakings ;

Considering, on the other hand, that such international agreements might sometimes lend themselves to an aggressive policy towards weaker countries by depriving them of raw materials or by hampering, by direct or indirect dumping, the newly established industrial systems which are indispensable to their economic welfare or their independence ;

Feels it its duty to *recommend* that the League of Nations should initiate studies on international industrial and commercial agreements and for this purpose should take the necessary steps forthwith to have all existing international cartels, trusts and syndicates registered.

3. DRAFT BY M. WESSEL (NORWAY).

Although the Economic Conference admits that the forming of international cartels and ententes may be for the benefit of the development of the particular industry, the Conference thinks that international cartels and ententes will not be to the advantage of mankind in general, nor will they contribute towards the improvement of the present economic situation of the world.

The Conference, therefore, will not recommend any resolution in favour of such international cartels and ententes—either with or without public control.

As to national cartels, the Conference thinks that each country should arrange for itself independently its own domestic regulations.

4. DRAFT BY M. JOUHAUX (FRANCE).

The Conference recognises that international industrial combines tending to regulate the market and organise production may assist

in establishing the economic structure on a more rational foundation, in regularising industrial activity, in ensuring its systematic development and consequently in stabilising the employment of labour. At the same time, the Conference realises the dangers which might result from such combinations of private interests and from the *de facto* monopolies to which they lead unless a system of guarantees be established to safeguard the interests of the public.

The principles to be observed in establishing such a system of guarantees are :

1. Standardisation of national legislations concerning industrial combines, through a convention designed to standardise the conditions of commercial competition between nations and to put down all unfair competition and all abuses of economic power.

2. Publication of statutes and contracts through the League of Nations.

3. Establishment of national bodies for the purpose of discovering, investigating, judging and suppressing secret and unlawful agreements. These bodies must include consumers' and workers' representatives.

4. Attachment of these bodies to an international body of the same kind which, in turn, should form part of the international economic organisation the formation of which is urged by the Conference.

5. Strict application of international labour conventions, particularly the Washington Convention on the eight-hour day.

6. Measures to safeguard workers in the industries affected against loss due to unemployment and to secure for them the full benefits of every technical advance.

7. Suitable national and international procedure and sanctions.

The Conference urges that regular contact should be established between industries controlled by an international combine and the corresponding consuming industries or organisation of consumers of the finished products.

The Conference regards the establishment of such relations as the essential condition for harmonising the interests of these different branches and economic interests in general, and consequently for putting into practice methods of production, of fixing prices, of establishing conditions of labour and, in particular, of fixing wages which will protect both the special interests of the industries controlled by cartels and the general interests of the public.

5. DRAFT BY MR. PUGH (GREAT BRITAIN).

The modern growth and ramifications of international trusts and monopolies in their varied forms present a complex and increasingly important problem. These organisations vitally affect the economics of the world and endanger its peace. It is therefore proposed that, without in any way discouraging or limiting national enquiries and activities, the League of Nations, by means of suitable machinery, should be empowered to undertake the following duties, which fall under three main heads: the collection of information and the study of economic problems; the rectification of grievances; and international regulation and legislation.

1. (a) The League should collect full information and publish regular reports on the more significant activities and results of international trusts, monopolies, cartels, rings and kindred organisations, and should continuously survey the position with a view to safeguarding the interests of consumers and producers throughout the countries of the world.

(b) The League should make world economic surveys from time to time on such matters, for example, as the sources and distribution of essential foodstuffs and raw materials and changes in production and consumption. The League should also study and report on the development of co-operative and "bulk" marketing of essential foodstuffs and raw materials and allied questions.

2. (a) The League should make representations to national Governments and to trading organisations where grievances arise. Usually the country of the organisation concerned would be approached, but in the case of an internationally controlled body several Governments would be involved. It would be desirable from time to time to convene conferences of certain international economic interests, consumers' organisations and Governments for the consideration of special problems.

(b) Governments which consider themselves or their citizens unfairly treated by international trade organisations should have the right of appeal to the League for special investigation and report.

(c) In cases where international trade organisations or Governments agree to ask for arbitration on matters of difference, the League should provide a suitable tribunal.

3. (a) The League should examine questions of policy, with a view to formulating and urging the ratification of international conventions and recommendations analogous to those of the International Labour Organisation. The questions covered should include, for example, the regulation of trusts, cartels, rings, etc., whether confined to one country or extending to several, or concerning overseas transport, large-scale marketing, the stabilisation of prices, and matters referred to elsewhere in this memorandum.

(b) In view of the growing importance of State-trading, it is desirable that the League should seek to establish an international code governing the relations between a State enterprise and individuals outside the jurisdiction of the State concerned. The League should also provide a tribunal to which a Government or its citizens may appeal in case of disagreement arising from trading with a foreign Government and where legal remedy is not already available.

6. PROPOSAL BY MME. FREUNDLICH (AUSTRIA), AND M. KETO (FINLAND), IN THE NAME OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE.

The technical evolution of industry and the rationalisation of methods of production and distribution have led to the formation of the various organisations of industrial combination. Each concern is not only a private undertaking but also a source of social wealth. For this reason, the community has the right to supervise the methods employed by the industrial combines and their influence on the standard of living. The aim should be to establish effective super-

vision over the whole administration of industrial combines. This supervision should be the outcome of international experience and our object here is to suggest a basis for systematic evolution. With this aim in view, the Economic Conference asks all Governments to put into practice the following proposals:

1. Industrial combines shall be under the legal obligation of publishing the regulations and conventions on which their organisation is based.

2. Each State shall create a bureau or a commission on which all the categories concerned shall be represented.

3. If increases in prices do not appear to correspond with the economic position of the industry or of the world market, the bureau or commission shall have the right to demand explanations.

4. If, after enquiry, it appears that prices are abnormal, or that the combine is abusing its monopoly or is obliging middlemen to sell at fixed prices, the bureau or commission shall draw up a public report stating the consequences of the situation, so that public opinion may force the combines to revise their policy as regards prices.

5. All the experience acquired and the publications appearing in the different countries shall be noted and followed by an international commission, which shall communicate its observations to the national commissions in order that all may profit by this experience and that the most efficient methods of supervision may be established to serve as a basis for national legislation.

6. The national commissions and the international commission shall include delegates of manufacturers, labourers, housewives, members of agricultural and consumers' co-operative societies and merchants.

7. Should international experience make it possible to put forward new proposals, the international commission shall communicate such proposals to the Governments concerned.

The Committee instructed the Rapporteurs to draw up a paper setting forth the conclusions arrived at by mutual concessions, but at the same time making reference to the different opinions which had been expressed. It was not thought necessary to make any mention of agreements concerned with agriculture and commerce.

At the last meeting of the Drafting Committee, M. PIRELLI (Italy), the Rapporteur, spoke in favour of a text which was discussed and unanimously adopted after some amendment. M. OUDEGEEST (Netherlands), deputy for M. Jouhaux, who was absent, was content to make a few reservations.

7. DRAFTING COMMITTEE'S TEXT.

The following was the text submitted to the Committee at its twelfth plenary meeting:

The Conference has examined with the keenest interest the question of industrial agreements, which have recently considerably developed and have attracted close attention from those classes whose interests are affected by them and from the public opinion of the various countries.

The discussion has revealed a certain conflict of views and has occasioned reservations on the part of the representatives of different interests and countries. In these circumstances, the Conference has recognised that the phenomenon of such agreements, arising from economic necessities, does not constitute a matter upon which any conclusion of principle need be reached, but a development which has to be recognised and which, from this practical point of view, must be considered as good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest.

The Conference considers that the field of operation for agreements, both national and international, is usually limited to branches of production which are already centralised and to products supplied in bulk or in recognised grades, and that consequently they cannot be regarded as a form of organisation which could, by itself alone, remove the causes of the troubles from which the economic life of the world and particularly of Europe is suffering.

Nevertheless, in certain branches of production they can, subject to certain conditions and reservations, on the one hand, secure a more methodical organisation of production and a reduction in costs by means of a better utilisation of existing equipment, the development on more suitable lines of new plant and a more rational grouping of undertakings; and, on the other hand, act as a check on uneconomic competition and reduce the evils resulting from fluctuations in industrial activity.

By this means they may assure to the workers greater stability of employment and at the same time, by the reduction of production and distribution costs and consequently selling prices, bring advantages to the consumer. It is generally recognised that, in this way, agreements may in some cases be useful not only to producers but also to consumers and the community in general.

Nevertheless, the Conference considers, on the other hand, that such agreements, if they encourage monopolistic tendencies and the application of unsound business methods, may check technical progress in production and involve dangers to the legitimate interests of important sections of society and of particular countries.

It consequently appears to the Conference that it is entirely necessary that agreements should not lead to an artificial rise in prices which would injure consumers, and that they should give due consideration to the interests of the workers. It is further necessary that they should not either in intention or effect restrict the supply to any particular country of raw materials or basic products, or without just cause create unequal conditions between the finishing industries of the consuming and producing countries or other countries situated in the same conditions. Nor must they have for their object or effect any reduction in the economic equipment which any nation considers indispensable, nor should they stereotype the present position of production, whether from

the point of view of technical progress or of the distribution of industries among the various countries in accordance with the necessities imposed upon each by its economic development and the growth of its population.

* * *

The Conference considered the question whether there was ground for establishing a special juridical regime and a system of supervision over agreements.

The documentation resulting from the labours of the Preparatory Committee shows that specific legislative or administrative measures in this direction have been taken by a limited number of countries only, and that the measures adopted are widely divergent both in conception and form.

The Conference recognised that, so far as regards agreements limited to the producers of a single country, it is for each Government to adopt such measures in regard to their operation as it may think advisable. It agreed, however, that it is not desirable that national legislation should place an obstacle to the attainment of the benefits which agreements might secure by exhibiting a prejudice against them as such.

So far as regards international agreements, it is unanimously recognised that the establishment of an international juridical regime is impossible, in view of the divergencies between the measures which various countries have considered it necessary to take in the matter and on account of the objections of principle which a number of States would feel on national and constitutional grounds to any such system. It has, moreover, been pointed out that the laws and regulations and the tribunals of each country have jurisdiction not only over national agreements but also over international agreements in so far as they involve operations within the national territory.

On the other hand, it is desirable that voluntary recourse by parties to agreements to arbitral bodies should become general, subject to guarantees of the high competence of the latter in economic matters and their sense of the general interest.

From a more general standpoint, the Conference considers that the League of Nations should follow closely these forms of industrial co-operation and their effects upon technical progress, the development of production, conditions of labour, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various Governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. The Conference is unanimous in considering that the publicity given in regard to the nature and operations of agreements constitutes one of the most effective means, on the one hand, of securing the support of public opinion to agreements which conduce to the general interest and, on the other hand, of preventing the growth of abuses.

THIRD COMMITTEE (AGRICULTURE)

Summary of Minutes of the Plenary Meetings.

Summary of Proceedings of Sub-Committees.

Sub-Committee I. — General Questions.

Sub-Committee II. — Co-operation.

Sub-Committee III. — Agricultural Credits.

THIRD COMMITTEE (AGRICULTURE)

RÉSUMÉ OF MINUTES OF PLENARY MEETINGS

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THIRD COMMITTEE (AGRICULTURE)

SUMMARY OF MINUTES OF THE PLENARY MEETINGS

INTRODUCTION.

The Third Committee (Agriculture) appointed by the plenary Conference had as its agenda the following indications given by the Preparatory Committee :

(1) The present position of agriculture compared with pre-war conditions, in respect of production, consumption, stocks, prices and free circulation of agricultural products.

(2) Causes of present difficulties.

(3) Possibilities of international action :

(a) Development of, and international collaboration between, producers' and consumers' organisations, including the different systems of co-operative organisation.

(b) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, etc.

(c) Development of the purchasing power of agricultural producers.

The Committee held six plenary meetings, the first four of which, on Monday, May 9th, at 10.20 a.m. and 3.15 p.m., and on Tuesday, May 10th, at 10 a.m. and 3 p.m., were devoted to general discussion of the questions on the agenda. The Committee then divided into three Sub-Committees entrusted respectively with : (1) General Questions, (2) Co-operation, (3) Agricultural Credits. The Sub-Committees and the Drafting Committee entrusted with the final elaboration of the three resolutions submitted by the Sub-Committees completed their work on Saturday, May 14th. The plenary Committee then held two plenary meetings on Monday, May 16th, at 11 a.m. and 5 p.m., for the consideration of the resolutions, which were adopted with some small amendments. The three resolutions were subsequently co-ordinated by a Drafting Committee appointed for the purpose. Before the resolutions were submitted to the plenary Conference, certain amendments were introduced by the General Co-ordination Committee of the Conference itself with the agreement of the officers of the Third Committee.

The Committee was constituted as follows :

Chairmen : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

Vice-Chairman : Count Ladislas SOMSSICH (Hungary).

Dr. L. K. HYDER (India).

Rapporteurs : Dr. A. HERMES (Germany).
M. F. PORCHET (Switzerland).

Members of the Commission and Experts ¹:

SOUTH AFRICA

Mr. J. S. SMIT.

AUSTRALIA

Mr. W. W. KERR or
The Hon. Sir David GORDON or
Mr. A. F. BELL.

AUSTRIA

M. R. COLLOREDO-MANNSFELD [E].
Dr. F. HIETEL.

BELGIUM

Baron TIBBAUT.
M. LAMBERT [E].
M. G. MULLIE [E].
M. Van den BROECK [E].

BRAZIL

M. R. DE RIO-BRANCO.
M. DEOCLECIO DE CAMPOS.

BRITISH EMPIRE

Mr. A. PUGH.
Mr. BELLERBY [E].
Mr. LAYTON.
Mr. ENFIELD [E].
Mr. VARLEY [E].

BULGARIA

M. J. BOURILKOFF.
M. G. DANAILOFF.
M. BAINOFF [E].

CANADA

Mr. A. MATTHEWS.
Mr. W. A. WILSON.

COLOMBIA

M. A. J. RESTREPO.

CUBA

Dr. C. DE ARMENTEROS.

CZECHOSLOVAKIA

M. F. KLINDERA.
Dr. G. LENFELD [E].
M. MEČÍŘ [E].
M. KORNEL ŠTODOLA.

¹ The letter (E) denotes that the persons indicated were attached to their delegations in the quality of experts.

DENMARK

M. O. S. C. SONNE.
M. E. D. COHN [E].

EGYPT

FATHALLA HETATA Effendi.

ESTONIA

M. J. HÜNERSON.
M. LEHTMAN.
M. Johan KUKK.

FINLAND

Dr. E. HYNNINEN.

FRANCE

M. J. GAUTIER.
M. AUGÉ-LARIBÉ [E].
M. GARCIN [E].

GERMANY

Dr. A. HERMES.
M. KEISER [E].
M. KEYSERLINGK [E].
M. KISSLER [E].
Professor SERING [E].

GREECE.

M. A. SIDERIS.

HUNGARY

Count Jean HADIK.
Count Ladislas SOMSSICH.

INDIA

Dr. L. K. HYDER.
Mr. H. A. F. LINDSAY [E].

IRISH FREE STATE

Mr. M. MACWHITE.

ITALY

M. E. ROSSONI.

JAPAN

Dr. Kwanji SATO.
M. NOMURA [E].

LATVIA

M. Ch. DUZMANS.
M. P. SIECENIEKS.

NEW ZEALAND

Professor James HIGHT.
Sir George ELLIOT.

NETHERLANDS

Dr. H. J. LOVINK.

NORWAY

M. G. JAHN.
M. H. FIVE.

PARAGUAY

M. Venancio GALEANO.

PERSIA

Dr. GHADIMY.

POLAND

M. J. STECKI.
M. Jerzy GOSCICKI [E].
M. Esden TEMPSKI [E].
M. PONIATOWSKI [E].
M. CHMIELEWSKI [E].
M. OSTROWSKI [E].

PORTUGAL

M. J. B. MONIZ.

ROUMANIA

M. B. CATARGI.
M. MARIAN [E].
M. GAFENCU [E].
M. MURGASIANU.

SERBS, CROATS AND SLOVENES
(KINGDOM OF)

M. S. SEČÉROV.

SWEDEN

M. A. ÖRNE.
M. HÖIJER [E].

SWITZERLAND

M. WEBER.
M. PORCHET.

TURKEY

Rechid SAFVET Bey [E].

U.S.S.R.

M. V. OBOLENSKI-OSSINSKI.
Professor E. VARGA [E].

URUGUAY

M. Pedro COSIO.

U.S.A.

Mr. Asher HOBSON [E].
Mr. Alonzo E. TAYLOR.

VENEZUELA

M. M. T. ARREAZA.

Members nominated by the Council.

International Co-operative Alliance : M. H. T. MAY
(replaced later by M. POISSON).
International Institute of Agriculture : M. DE
MICHELIS (replaced later by M. Louis DOP).

Experts invited by the President of the Conference.

Marquis de Vogüé : Chairman of International
Agricultural Committee.

Members nominated by the Council.

Dr. M. E. LÜDERS.

Observers.

M. Julio POULAT (Mexico).
M. S. Philippe SERRANO (Mexico).

FIRST MEETING

Held on Monday, May 9th, 1927, at 10.30 a.m.

Chairman : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

1. OPENING SPEECH BY THE CHAIRMAN.

After thanking the Committee for the confidence shown in electing him as their Chairman, Dr. FRANGESCH noted the general satisfaction that special importance had been given to agriculture in the scheme of the Conference.

The task of the Committee, he said, was to seek, by a thorough exchange of ideas, the ways and means suitable for placing agricultural production and distribution in the proper and just relationship with the workings of other economic organisations throughout the world. He suggested that there should be a general discussion which might last two days on the questions at issue, after which the Sub-Committees would be formed.

"For the present, the formation of three Sub-Committees has been contemplated ; one to study the questions of agricultural co-operative organisation ; the second, problems of agricultural credit, and the last, other questions of a general order. Perhaps these Sub-Committees themselves may form other Committees for the study of problems of special importance and the preparation of resolutions respecting these problems. We might then, taking as a basis the work of the Rapporteurs, agree in the plenary meeting on these resolutions and thus arrive at conclusions which would be the synthesis of our work.

"I must emphasise certain words spoken by our eminent President M. Theunis, that is to say that we must not expect from the work of this International Economic Conference a definite solution of all the problems before us. We should be content if we could find a basis for a better organisation of production under which it would be possible to satisfy the credit requirements and needs of agriculture to develop co-operative organisations of all kinds, to provide closer collaboration for assuring proper prices for agricultural products and finding markets, and to increase the purchasing power of agriculturists, thus facilitating the exchange of agricultural products against those of industry, etc. By working in this direction, we shall also help in their work the Committees on Industry and Commerce, to which we are bound by the interest and the solidarity of the working world.

"We cannot but emphasise the fact that the basis of all culture and of economic progress in the world lies in agricultural development. Therefore, we may say that the solution of the present economic crisis is to be found in the prosperity of agriculture."

2. ELECTION OF VICE-CHAIRMAN AND RAPPORTEURS.

On the Chairman's proposal, the following nominations were made and accepted :

Vice-Chairmen : Count Ladislav SOMSSICH, President of the Hungarian National Society of Agriculture of Budapest ; and

Dr. L. K. HYDER, Professor of Political Economy at Aligarh University, India.

Rapporteur : Dr. Andreas HERMES, ex-Minister of the Reich, Berlin.

Co-rapporteur : Dr. Ferdinand PORCHET, Conseiller d'Etat, Lausanne.

The above-mentioned members and M. DRAGONI, the Secretary-General of the International Institute of Agriculture, took their places on the platform.

3 GENERAL DISCUSSION.

M. Gautier (France) said it was obvious and undeniable that agriculture had its place in the economy of the world, but up till now it had always been treated like a poor relation, who was permitted to feed humanity but whose advice was neglected in considering the general principles governing world economy. The place which it had just been given in the International Economic Conference on a level with commerce and industry marked a definite victory. He thought the Committee should place this situation definitely on record. The prosperity and progress of commerce and industry were intimately connected with the progress and prosperity of agriculture, and if agriculture should degenerate, commerce and industry would be inevitably dragged down in rapid decadence. It was generally asserted that it was the workmen in industrial and commercial enterprises who consumed agricultural products and who determined the prosperity of agriculture ; he would reply that it was the agricultural workers who consumed industrial products and determined the prosperity of industry. More than one-half the population of the world were engaged in agriculture, and in certain countries the proportion was even greater. It was thus decidedly in the interest of industry that agriculture should be able to consume their products and, consequently, that the purchasing power of agriculturists should be equal to that of the workers in commerce and industry. Agriculture must therefore be able to produce at prices enabling it to pay its workers adequately and in proportion to their work and the general needs of world economy.

There were a series of principles which should form, as it were, the frontispiece of their deliberations and conclusions. This second point was that means should be found to enable agriculture to develop normally and increase its production "in proportion with requirements". He desired to emphasise this condition because he believed that the principle according to which agricultural production should be indefinitely increased was economically unsound. It was impossible, without producing disastrous disequilibrium, to increase production beyond the capacity of consumption.

It was therefore necessary to find means of increasing production, of improving technical methods. Agriculturists must help themselves first of all by seeking out the most appropriate technical means for increasing and facilitating production. These points would be made clear in the discussion itself, which should cover the questions of agricultural machinery, fertilisers,

agricultural instruction, and even the question of farm accounting and exact methods of calculating the costs of production.

Two points should be emphasised. A market for agricultural products must be assured, and in this connection they must bear in mind that in Europe particularly, especially in the new countries born since the world war, the small peasant-holding tended more and more to predominate. Now, if the small holder were left to his own resources, he would find himself in the hands of the middleman for the purchase of the indispensable raw materials and the sale of the products of his land. This could only be avoided by co-operation. The small holding could only prosper if the small proprietors banded themselves together, forming, in the first instance, associations for the discussion of their interests, and then co-operative organisations for buying and selling. The agricultural co-operative organisations must then try to get into direct contact with the consumers' co-operative organisations. This point was so important that it might be worth study by a special committee. It was a question of finding useful proposals likely to lead to substantial advance in co-operation in the national field and, if possible, of laying the foundation of co-operation on an international basis.

The second point, perhaps a capital one and more difficult to solve than the first, was agricultural credit. In some countries, in France for example, central credit banks, district or local, provided agriculturists with short-, medium- or long-term loans, and the question was solved. But there were still a great many countries where agricultural credit was in its infancy or did not exist at all. Means must be found of developing it.

Methods permitting the international organisation of agricultural credit should also be considered. On this point he had not as yet any hard-and-fast idea, but he thought that the problem was worth stating.

M. Stecki (Poland) spoke of the economic disequilibrium in Europe arising out of the war, of the vast decrease in capital and the consequent impoverishment of the population, exchange fluctuations and the dislocation of markets due to new frontiers and other causes. He thought the market crisis had become the principal factor in the general economic crisis, which, consequently, could only be solved by the solution of problems concerning the marketing of products and the raising of the buying power of the population. The remedy must be sought in two orders of ideas, (1) direct agreements between producers, (2) agreements between Governments. Good results were also to be obtained by the *rapprochement* of consumers and producers on the co-operative principle. Nevertheless, the consuming capacity of the markets was one of the decisive factors, and the raising of the purchasing power of the population was a capital point of the problem.

A comparison between the industrial and agricultural populations showed the following differences: first, the various branches of industry and commerce were interdependent, whereas agriculture appeared isolated; secondly, in agriculture the proportion of capital, especially of circulating capital, was much smaller than in other enterprises; thirdly, the agricultural population of the world as a whole was more numerous than the industrial and commercial population; fourthly, the needs of the agricultural population were slight, compared with those of the rest of the population; lastly, independent agricultural enterprises were more numerous than

commercial and industrial enterprises, and the number tended to increase.

Consequently, so long as the industrial and commercial population were receiving an insufficient wage, it was impossible to combat the market crisis by raising purchasing power. Therefore the first movement must come from outside—that is, from agriculture.

Agricultural enterprises individually demanded relatively small capital, consequently capital produced far greater effect than in other fields of production. Collectively, agriculture presented an important field of investment for capital, either by credit operations or by enterprises formed with a view to intensifying, industrialising or improving agriculture. Since it was the great mass of the population which was affected and the largest areas of the world, a slight modification in this field would produce enormous effects. Since the standard of life of the urban population was far above that of the agricultural population, an increase in the demand of the latter might result from a small investment of capital, the more so that those who benefited by it would be for the most part independent agriculturists. All this was true, not only nationally but of the whole world, which, as it formed one economic organisation, had a tendency to form a single market.

Consequently, it was in the interest of agricultural countries in particular to impress upon the universal consciousness a fair understanding of the importance of agriculture and its rôle in the solution of the market crisis.

A discussion in sub-committee would elucidate the various aspects of the agricultural situation thanks to the abundant documentation provided by MM. Gautier, Hermes, Lindsay, and de Michelis. He wished to submit at once the following general proposition to the Committee:

“Whereas a solution of the economic crisis must be sought above all in the raising of the buying power of the great masses of the population;

“Whereas the difficulties arising from the contraction of the markets affect in the first place industry and commerce and consequently an increase in the market capacity could be obtained above all by raising the earnings and the buying power of the agricultural population;

“The Conference expresses the conviction that the only effective and durable means of dominating the crisis lies in the improvement of agriculture, by leading it towards an increase in production, an increase in intensivity and an improvement in the well-being of agriculturists;

“And appeals to all nations to put into practice appropriate measures, for the assistance, as far as possible, of agricultural development by measures carried out at home as well as by international collaboration in commerce and in credit.”

Dr. Lovink (Netherlands) submitted observations on certain points mentioned by the Preparatory Committee, especially with regard to the third heading of the possibilities of international action. Agricultural co-operation in Europe had considerably developed especially among the small-holders. It might be said, in general, that agricultural co-operation was indispensable. Wherever agricultural co-operation had developed, intensive culture had begun to develop as well. It was easy to understand a recommendation that agricultural co-operation should be continued

and intensified. But he did not quite see what was meant by international collaboration between producers' and consumers' organisations. Consumers could only encourage agriculture to a very small extent. He did not think either that the Preparatory Committee intended to eliminate ordinary trade. The agricultural co-operative organisations could not entirely dispense with trade channels.

As regards the advantage of the regular exchange of useful information bearing on the agricultural situation, scientific and technical research in agriculture, credit, etc., it sufficed to take account of the publications of the International Institute at Rome. A recommendation might be formulated, with proper reference to the work carried on during the last few years by that Institute.

As regards the development of the purchasing power of the agricultural population, he could have wished that the Preparatory Committee had been more precise in its indications. Nevertheless, the Committee could lay down certain directing principles on this subject. Technical instruction, co-operation, the construction of roads in certain places, the improvement of equipment — in a word, everything which in certain areas would increase the purchasing power of the agricultural population was desirable, but, apart from these few points, it did not seem possible to fix, from an international point of view, a general rule for the attainment of this object. Different factors in different countries could improve purchasing power to a certain extent, but it seemed impossible to lay down directing principles on an international plan.

Though the subjects mentioned by the Preparatory Committee were few in number, he noted in the agricultural world a desire to raise a discussion on international lines, and on this point he wished to put the three following questions :

What measures should be taken :

- (1) From a technical point of view ;
- (2) From the point of view of agrarian reform ;
and
- (3) To combat prohibitions and restrictions ?

The essential measures were the intensification of agriculture — which involved the increase of production, relief to the population by increasing the opportunities of work and, among other advantages, a diminution of tariffs. As regards the technical side of the problem, the intensification of agriculture had been found automatically to improve the economic conditions of the agricultural population, at any rate in the Netherlands. It was the same in Belgium according to the statement of Baron Tibbaut.

He hoped that the Commission would collaborate on a technical agreement for the encouragement of all useful measures, in collaboration with the International Agricultural Institute.

The Netherlands had brought under cultivation vast areas of waste land where thousands of small farmers were living prosperously. This proved that State initiative was opportune in the development of agricultural colonisation and in the constitution of small holdings. In other countries, especially in Germany, work was being done along the same lines.

He hoped, then, that the Committee would adopt conclusions likely to serve as directing principles to agricultural development. He had himself deposited a separate note on this question. Lastly, he expressed the hope that the Committee would examine the means of combating prohibition and restriction which hindered the circulation of products.

4. ANNOUNCEMENT BY THE CHAIRMAN.

Memorial Service for M. Popoff.

The Chairman read a letter from the Bulgarian Consul-General to the Secretary-General of the International Economic Conference informing him of the memorial service to be held on May 9th at the Russian Church at Geneva for the repose of the soul of M. Cyrille H. Popoff, Bulgarian delegate to the International Economic Conference. He did not doubt that those members of the Committee who would be able to do so would be present at the service in memory of their regretted colleague.

SECOND MEETING

Held on Monday, May 9th, 1927, at 3.15 p.m.

Chairman : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats, and Slovenes).

GENERAL DISCUSSION (continuation).

Mr. Macwhite (Irish Free State) said the productive activities of the Irish Free State were about 80 per cent agricultural, and there was a large export trade of live-stock, food, agricultural products and other raw materials. Certain industrial enterprises were also of considerable importance and exported freely. The Irish Free State imported probably 60 per cent of the manufactured goods it consumed. It was obvious that the prosperity of the State was largely based on agriculture; anything adversely affecting that industry reacted with special severity on internal economic conditions.

He gave details of the prices of certain leading

agricultural products at Irish fairs and markets in January 1927, expressed in percentages of the prices in the corresponding month of 1926 and of the three years before the war. Figures showed that there had been a progressive fall in prices in Ireland since 1921 subject to a slight upward trend in the period 1923-24. But whereas the prices of agricultural products and raw materials were now only about 40 per cent above the pre-war level, the cost-of-living index number shows an increase of 71 per cent (in April 1927) above July 1914. This was of great importance for the Free State, as it produced and exported agricultural, and imported industrial, products, in both cases on a large scale.

After describing the generally sound financial position of the Irish Free State, Mr. Macwhite

asked whether the fall in general prices and the relatively greater fall in agricultural prices was a natural and inevitable phenomenon. If not, what was the justification, from the standpoint of the community for forcing them down? In the Irish Free State, the fall in agricultural prices had amounted to a great social and economic evil. One of the unhealthy accompanying symptoms had been that the area of land under tillage had declined and the rural population was diminishing in numbers.

The Irish Free State could still expand industrially before reaching "saturation point" in the home market. If price tendencies continued to favour industrial and commercial activities, as against agriculture, serious economic disequilibrium must arise in predominantly agricultural countries like the Irish Free State; these countries would thus be compelled to examine the possibilities of a more vigorous industrial policy.

M. Moniz (Portugal), in making certain criticisms, said that his frankness was due to the wish to see practical and durable results from the Conference. He had come to the Conference with the idea that, in examining the causes of the grave economic situation, the small Powers would be on an equal footing with the great Powers. He found that this was not the case, for example, in the mode of nomination to the Chairmanship of the Committees. Another example was in the method of work. The French delegate had suggested three sub-committees; one a Committee of Agricultural Co-operation. This was a socialist idea which representatives of a bourgeois society would be called upon to defend before studying more important questions with which the Conference was directly concerned.

He agreed that the division into three sub-committees was practical, but questioned the facility of contact between them. He asked leave to submit the following proposition:

"Whereas the Conference of Geneva had met to discuss and study the general economic situation of the world and the amelioration of the relations between States, and not to lose time by reverting to questions which had already been studied in all countries and in the League of Nations, such as the questions of co-operation and agricultural credits;

"Considering that the principal task of the Committee on Agriculture should be to examine the relations between nations from the agricultural point of view, and the relations of agriculture with industry and commerce, a task entailing close relation between this Committee and the Committees on Commerce and Industry with a view to the examination of world problems as a whole;

"And whereas, from the point of view of international relations, technical measures and systems of organisation affecting the progress of agriculture had to be dealt with;

"I propose the division of the Committee on Agriculture into three sub-committees on:

"(1) International relations from the agricultural point of view. This Sub-committee would be charged with the study of matters connected with the trade in seeds and fertilisers, the protection of marks of origin and of Customs facilities;

"(2) Means of assisting the progress of agriculture, *i.e.* agricultural co-operative societies, agricultural credits, technical measures and the question of agricultural labour;

"(3) General questions and the relations between agriculture and other forms of production and trade; relations of the Committee with those on commerce and industry, examination of the possibility of increasing purchasing power, etc."

He added that Portugal had more commercial liberty than any other country in Europe, having no import duties on agricultural products, fertilisers, etc. Portugal, which respected scrupulously the international agreements for the protection of marks of origin as regards sparkling wines, did not benefit by reciprocal treatment from other nations. He protested against this situation and demanded the loyal co-operation of all countries.

Dr. Hermes (Germany) agreed with M. Moniz on the necessity of strict collaboration between the Committees. This would be easy if they carried out the Chairman's suggestions. He considered that technical and practical work suggested by M. Moniz would be done principally by the Sub-Committees.

Differences of interest existed, of course, between agriculturists in different countries, but they also had many interests in common. One of these was that agriculture should occupy its proper place in the economic structure of all countries.

He agreed with Dr. Lovink that the question of the free exchange of agricultural products would have to be dealt with. Dr. Lovink had asked whether the elimination of ordinary trade channels was contemplated in connection with collaboration between producers and consumers; all were certainly agreed on the impossibility of considering such a situation. Nevertheless, commerce was certainly over-complicated to-day. If agriculturists would agree to dispense as far as possible with the middlemen they would be doing good work.

He agreed with Dr. Lovink regarding the exchange of technical information. He considered also that the International Institute of Agriculture had been doing excellent work, and should be developed and strengthened if necessary.

As regards the development of the buying power of the agricultural population, the Preparatory Committee last year had not all the information necessary to lay down an exact definition of the scope of the work of the various Committees of the present Conference. That question was bound up with that of placing agriculture on a sound economic basis, and must be dealt with by improving the general economic position of agriculture.

He also agreed with Dr. Lovink that the question of the adoption of intensive cultivation was important, especially for small farms. He proposed to distribute a map showing the difference in the production of wheat in various countries according to units of area. It showed that the differences in production were extraordinarily great and, if it were compared with another map he would submit showing the extent of the utilisation of artificial fertilisers in various parts of Europe, it would be seen that there was extraordinary coincidence between the two; the more fertilisers were employed the greater was the production of wheat. How best to improve the productivity of small farms was a point for consideration.

M. Örne (Sweden) said that, even before the war, the lack of equilibrium between agriculture and industry was visible in a country like Sweden, more particularly because of the continuous trustification of industry which, on the one hand, tended to depress the price of agricultural

produce and, on the other hand, kept the price of such things as superphosphates, potash and cement far above the cost of production. Consequently, farmers had not seen an improvement in their own situation or an increase in the consumption of agricultural products proportionate to the advance in the technique of agriculture.

With the continued trustification of industry that tendency must become more and more accentuated and affect not only farmers but consumers in general in so far as they were not strongly organised. He therefore looked with grave concern on the efforts to promote the development of international cartels. It had been claimed that the dangers they involved might be overcome by the creation of a special organ for supervising their price policy and economic activities generally, but, personally, he was sceptical as to the value of such supervision, which would present great technical difficulties. International supervision might be possible if countries were ready to give legal aid to the supervisors, but he did not think public opinion in the various countries would countenance giving supervisors employed by the League of Nations the right to procure information regarding book-keeping and the costs of production in national enterprises. The supervision could never be more than a mere right of inspection.

Consumers and farmers were acting wisely in opposing every form of State-aided industrial cartels and in voting for the removal of trade barriers between different States, which were the best means of keeping internal prices at a high level.

Personally, he regarded the co-operative movement as the best means of checking the price policy of the cartels. By the establishment of their own productive undertakings on a large scale, the central co-operative organisations were able to reduce prices. The extraordinary results so achieved in Sweden showed that that was the case. For the co-operative movement to exercise all its influence, however, it must concentrate on purely economic aims and bring together all those interested in the movement in unified and powerful organisations.

Dr. L. K. Hyder (India) said that the position and working conditions of agriculture were entirely different from those of commerce and industry. Agriculture was a one-man and a part-time industry; it was consequently in the hands of a large number of people, harder to reach by combinations and improvements than in industries with a smaller number of producers. Certain facts regarding the present conditions of agriculture emerged from the documentation prepared by the Secretariat: (1) an increase of agricultural production; (2) a rise in the prices of agricultural products; (3) this rise in price was not proportionate to the rise in the prices of industrial products used by the agriculturist for his own consumption or for his industry. In analysing the cause of this disparity, it would be found that the agricultural industry was subject to international competition, while other industries could isolate themselves from the general commerce of the world.

The opening of the Suez Canal and the substitution of steam for sail had produced a revolution in agricultural prices in Europe, and it had been obvious that forces were at work which would revolutionise the economic life of vast populations. He did not think that, at the present time, any revolutionary changes either in technique or in methods of production were taking place which were likely to cause such a violent fluctuation of prices as that which took place in the 19th century.

During and since the war, the agriculturist had been underpaid for his products though he had to pay more for what he consumed.

Certain people denied agriculturists a place in an economic conference; he considered that they had every right to be present with the members who were discussing trade and industry. The agriculturist did not want to pay high prices for the products which he consumed, therefore he was in sympathy with all ideas, movements and legislative action tending to promote the free flow of goods and consequently leading to a betterment of the conditions for the agriculturist.

The Committee should devote its attention to the organisation of the national activities in the different countries, necessary for wide international action. They should support national co-operative organisations and bring them face to face with other organisations and with consumers to eliminate waste and help the agriculturist to better remuneration. This was of international importance and was bound up with the happiness of millions of people of all races and countries.

The speaker indicated certain points on which the Conference might usefully make recommendations:

On the grading of commodities entering into international trade, which should be dealt with on the same basis in all the producing States;

On the direction of labour emigration to those countries which were short of labour, and on the importance of continuity of agricultural labour throughout the year;

On uniform international action against diseases of plants and animals; and

On the measures for stemming the exodus from the land.

M. Hynninen (Finland) said that, as regards the distribution of agricultural products among the different nations, they must be content to ask that Customs barriers should not be higher now than before the war. The chief reason which made it impossible for European agriculture to look forward to a peaceful and prosperous future was the competition of over-sea countries which, in recent years, had become far keener than it was before the war. In the countries which were the chief producers of sugar, milk and dairy produce, wheat, etc., costs of production were lower than in the northern countries. For instance, in New Zealand, the Argentine and Australia, cattle-raising was only carried on in the open grass-lands, and there were practically no expenses for the erection and upkeep of buildings. Moreover, the demand for agricultural labour in these countries was very small.

In European countries, and especially in those of the north, the situation in this respect was totally different. For instance, in Finland, almost one-fourth of the total capital invested in agriculture was chargeable to buildings, and 43 per cent of the cash expenditure on agriculture proper was accounted for by wages. Then, again, it was well known that the cost of producing sugar in Cuba, a great sugar-exporting country, was far below the cost in Europe.

The farmers in Europe could best hold their own against overseas competition by working for a better organisation of the production of and trade in agricultural produce. It was essential to follow co-operative principles in every department of agriculture. Experience had shown, beyond all dispute, that the co-operatives had been successful in reducing costs of production, in organising distribution, and in acquiring new markets.

At the same time, it must not be forgotten that a moderate protective tariff might also confer great advantages on countries whose production could not yet hold its own against world competition. For instance, in Finland, his own country, conditions for the cultivation of rye were, generally speaking, favourable. But in the last century, when Finland was under Russian domination, there had been little possibility of developing and organising the cultivation of cereals, because it was in Russia's interest to have a market in Finland. After the war a moderate Customs duty had been placed on cereals, and during this short period the results had been economically advantageous to Finland.

M. Poisson (International Co-operative Alliance) said the International Co-operative Alliance covered not only consumers' societies, but agricultural and other producers' societies. Consumers' co-operative societies with thousands of members were no longer purely consumers' societies. In France, for example, 30 per cent of their members were peasants, certain organisations were not limited, strictly speaking, either to consumers or producers. The immense co-operative movement in Eastern Europe, in Hungary, Roumania and even in Russia, comprised consumers' co-operative societies and producers' societies and even organisations to buy certain commodities for the peasants.

At the Stockholm Congress in August, at which thirty-five nations would be represented and 50 million co-operators, the question of the relation between consumers' co-operative societies and agricultural co-operative societies would be discussed. They would advise closer contact between these two types of organisations. He thought that the prosperity of the world could come from two things only: increased production of food and raw material and of manufactured goods, for the more there was the larger the share available for each individual. On the other hand, they must not overlook the importance of suppressing waste and that of maintaining the balance between consumption and production.

He thought that it was easier to increase the production of foodstuffs than to increase the output of industry. Agriculture had not progressed within the last century to the same extent as industry. Agriculturists must make up for lost time and perfect their technique. It was perhaps not possible to double industrial production, but agricultural production could be enormously increased and quickly by the proper methods. For this were needed credit, equipment and labour. How was agriculture to find the credits so indispensable for the renewing of equipment, for chemical fertilisers, seeds and machinery? He thought that the agriculturists should organise their own means of action by setting up co-operative credit societies. But it was not enough to produce abundantly. If the agriculturists were to make an effort, they must have adequate remuneration. Agriculture should be as well remunerated as industry. It was an essential industry. It could not produce adequately if it were not adequately paid. The consumers had the right to expect an abundance of products, and agriculturists should be ready to accept progress and more technical methods.

The relation between producer and consumer must be rationalised. The general interest must take precedence of the interest of the middleman; it lay in the establishment of direct contact between the producer and the consumer. This movement

was gaining considerable ground in every country. In Germany they had come to an agreement; one Committee was proposing an agenda which was not only that of the agricultural co-operative societies but that of M. Kauffmann. In France, the International Co-operative Alliance was standing with M. Gautier and the Federation of Agricultural Producers with a view to obtaining products under the best and cheapest conditions. They must follow this policy in the light of past experience and by every means in their power. It had not always been possible to establish direct contact between consumers and producers, but it would be easy to prove, as the work of the International Labour Organisation had already done, the success of these experiments. The world was in a period of social experiments which should lead to a rational and scientific organisation of production. This was the policy of the International Co-operative Alliance.

The first problem to be examined was that of credit in a co-operative form. The agriculturists should set up agricultural credit with or without the help of the State. They must have banks, not only based on agricultural co-operative organisations, but with the assistance of the consumers' co-operative societies, and they must also have international banks. An international bank committee had been created. Why not consider the idea of an international co-operative bank with the object of giving to agriculture the necessary credits so that it might renew its equipment, organise its technical side and secure adequate remuneration for supplying the consumer with the products which he needs?

The second point was that of commercial relations to be established in each country with the consumers' co-operative societies. It might be advisable to consider the creation of mixed organisations, whose members would not be mere buyers and sellers but would have interests in common, responsibilities in common. Agricultural co-operation was not an attempt to sell at high prices. It was something better — it was economic progress. The great progress of the Danish dairies and of the dairies in the Charente could not have been accomplished by a private organisation.

He thought commercial relations should be established between the agricultural co-operative societies and the co-operative wholesale societies and that common organisations should be created. This was not merely an economic problem — it was also a moral question. They had spoken of creating an atmosphere of peace. This must exist between consumer and producer as well as between nations. Consumers and producers should have common ground on which they could meet. Thus, not only would moral *rapprochement* be easy, but material relations would be more normal.

He asked the Conference to assure the continuance of the work it had undertaken. For that they should have an organisation to observe all experiments and turn them to account, for the benefit of the whole world. Certain admirable organisations already existed, but the International Co-operative Alliance as well as the International Institute of Agriculture would go too far if they declared that they alone were qualified to study the question of agricultural co-operation. The Institute, the Alliance and the League of Nations should create together the permanent organisation. Thus these three organisations would have worked not only towards the improvement of agriculture but towards that of general prosperity.

THIRD MEETING

Held on Tuesday, May 10th, 1927, at 10 a.m.

Chairman : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

1. ACCOMMODATION OF THE COMMITTEE.

In reply to representations from members of the Committee on the inconvenience of meeting in the Salle de la Réformation at a distance from the Committees on Commerce and Industry, Sir Arthur Salter said that the resources of the League of Nations building, and indeed of any building in Geneva, were inadequate for the Economic Conference, and there was no alternative but to ask the Agricultural Committee to meet in the Salle de la Réformation. He regretted any inevitable inconvenience which members suffered on that account. If at any moment, through the cessation of meetings of any Committees, other arrangements became possible, steps would immediately be taken.

2. PROCEDURE (LENGTH OF SPEECHES, CIRCULATION OF TRANSLATIONS).

On the proposal of M. Gautier (France), the Committee decided that the maximum length of speeches should be twenty minutes in the case of those members who had circulated translations of their speeches before the meeting and fifteen minutes in the case of members who had not followed this procedure.

3. GENERAL DISCUSSION (*continued*).

Dr. Sering (Germany) discussed the price movements of agricultural products and the disparity between the indices of agricultural and industrial prices, illustrating his remarks by reference to the document "International Price Movements and the Condition of Agriculture in Non-Tropical Countries" which he had prepared for the Conference on behalf of the German delegation, and to the statistical tables and graphs there given of the prices of the principal agricultural products for the last fifty years.

Between 1900 and 1914 there had been a steep rise in the prices of agricultural products, due to the rapid industrialisation of the United States of America, with the consequent increased consumption of agricultural products by American towns and a correspondingly decreased export. No new area of settlement equally rich for agricultural purposes was available, and therefore the increasing requirements of the industrial population of Europe could not be met by extensive agriculture alone.

The increasing demand for bread cereals and for meat could only be met by an increased yield per unit of area. Only by intensive culture could the normal relation between prices be restored, relations which had obtained for centuries and which had been disturbed only during the past twenty-five years by the tendency of the prices of agricultural products to exceed those of industrial products. This tendency was determined by the law of diminishing returns according to which, other things being equal, the quintal of wheat produced by intensive culture cost more than that produced under extensive methods. At this period, intensive culture had again become remunerative even in free-trade countries, and agriculture prospered. This upward movement was interrupted by the

war. Under the stimulus of a 100 per cent increase in prices the area under wheat in the United States and in Canada was increased by about 10 million hectares between 1914 and 1921. The extraordinary conditions of the war period came to an end in 1920, when the United States Government ceased to provide credits to the Allies, who were no longer able to effect their American purchases. Prices fell, agricultural prices more than those of industrial products. Between 1922 and 1925, more than 25,000 American farmers failed in the United States, and nearly three million persons left the farms. In 1922 the proportion of farms abandoned by their inhabitants was estimated at 7.3 per cent, and the crisis spread to other countries producing cereals.

Yet between 1921 and 1924 European countries, with the exception of Italy and Spain, were less well supplied with cereals and meat than before the war. The United States, as regards supply, had returned to pre-war conditions, tending to reduce the export of cereals and of meat. There agriculture was being adapted to the requirements of the home market by the development of the milk industry and of certain intensive cultures; everywhere east of the Mississippi less wheat, and even less maize, was grown than in 1900.

Since the war, exports of wheat from Russia and the Danubian countries had almost ceased; other supplying countries — Canada, Argentine, Australia and New Zealand — were developing but slowly.

The unfavourable movement in agricultural prices could not therefore be ascribed to the conditions of supply; it must be sought in the demand. Now the price of the whole quantity of a product available on the market is determined, inevitably, by the purchasing power of the "last buyer". Professor Sering maintained that Germany, in her impoverished condition, represented that "last buyer", and that her poverty therefore reacted on the producers of cereals and meat.

The rehabilitation of German finance in 1923-24 was followed by a rise of prices which began in the summer of 1924. The poor harvests of that year contributed to the rise, but it continued in spite of the good harvests of 1925. Nevertheless, Professor Sering did not think normality had been reached. The relation of prices could not be considered to be normal, even if the relation between the prices of agricultural and industrial products were the same as before the war; they could only be regarded as normal when the exchange value of agricultural products again showed a rising tendency. The renewal of this tendency was the necessary preliminary condition for the intensification of culture which now, as before the war, was an economic necessity.

Such an increase in the exchange value of agricultural products did not necessarily involve a rise in agricultural prices; industry should reduce the cost of the products of industry required by agriculturists and thus permit the increase of agricultural production without increased cost. An increase in exchange value of agricultural products had been realised as regards chemical manures, thanks to important inventions, and in England and Germany the prices of agricultural

machinery and at times cake and meal were relatively as low as before the war. In other countries, notably in the United States and in Canada, the index number of agricultural machinery, 175 per cent, was above the general price level. Agriculturists all over the world were obliged to give a larger quantity of agricultural products in exchange for clothing, shoes, furniture, etc. than before the war. Consequently, the standard of living of the agricultural population was reduced. The essential cause of the disparity in prices was that the agricultural classes in the United States and in Canada were relatively poorer than the other social classes. For a long time to come they must export considerable quantities of agricultural produce. He pointed out that the price of the whole of the production of any agricultural product depended on the price available for the excess available for export, which in its turn depended on the purchasing power of the industrial population of Europe, and he proceeded to demonstrate the causes of the low level of the latter. These were :

(1) The direct effects of the war which reduced the yield of the soil in the importing continental countries and decimated their cattle ;

(2) The reduction of the economic productivity of Eastern Europe, and notably the transformation of Russia, Roumania and other Eastern-European countries into States with only a small trade, which had caused not only the reduction of their own grain exports but of the counter-stream of industrial products towards the East, more especially from Germany, which in the past had generally been the largest importer of agricultural produce from Eastern Europe ;

(3) The splitting-up of Central Europe and the isolation policy mutually pursued by European States ;

(4) The practical refusal, by the erection of tariff barriers, of the agrarian export areas to accept industrial equivalents for agricultural exports, a policy carried out at the expense of the farmers ; and

(5) The increasing burden of unproductive expenditure in Europe.

The unproductive expenses, said Professor Sering, gave a better picture of the true taxation burden than the taxation statistics, which could not be satisfactorily compared with one another as there were no reliable and equal methods of ascertaining the income of the population. Only those taxes the proceeds of which were devoted to unproductive expenses entailed a real reduction in the national economy. These expenses were : first, military and war expenses ; secondly, external political debts.

A very careful analysis of budgets by the German Statistical Office showed that, including the costs for the reparation of war damage, the defence forces involved larger expenses than before the war. Even in the case of the disarmed Central Powers, the expenses for the defence forces, including the cost for the reparation of war damage, amounted in gold marks to 108 per cent of the pre-war military charge. Then, before the war, there was no such thing as a political indebtedness of Europe to other countries. The 294 million dollars, or 1,233 million marks, representing the average yearly interest on the European war debts to the United States were about equal to the entire annual value of the United States exports in wheat and wheatmeal or in animal products. As a matter of pure arithmetic, therefore, Europe could have

spent without these debts twice the amount she had actually expended on her bread or meat foodstuffs drawn from the United States. The interest on the political debt increased the taxes in European countries, and reduced the competitive capacity of their undertakings.

M. Sering did not wish to go into the question, much discussed outside Germany, whether the German nation would be able to meet the charges under the Dawes Plan, which were to reach, in normal times, the figure of 2 ½ milliards annually, but, in connection with that Plan, he would merely remark that care must be taken not to over-estimate the creative value of credit. Thickly populated industrial countries could not bear the same rate of interest as such wide-spaced industrial areas as the United States, where the working productivity was incomparably higher, as also in consequence was the income from capital and the profit on undertakings. In areas of a high economic intensity, the productivity of the work and the profit on capital were limited by the law of diminishing returns on the sums expended. In Germany, in spite of all progress in credits attained since 1924, the farmers had still to pay 7 to 9 per cent on long-term loans with good security ; such sums could not be recovered from the soil.

The creation of new capital in Germany was still almost negligible. It was true that the deposits in savings banks, which had disappeared in the time of inflation, had begun to reappear, but they amounted, at the end of February 1927, only to 18 per cent of the total at the end of the year 1913. On the other hand, the debts which had disappeared in the inflation period had reappeared very quickly under the stress of heavy taxation and unremunerative prices. Including the valorised former debts, the amount of interest which had to be found was not less now than before the war. Including the increased charge due to taxation, the agriculturist had to find and to pay nearly twice as much as in pre-war times or, taking into consideration the general devaluation of money, more than one and two-fifths as much as in pre-war times.

What he had said of Germany applied, *mutatis mutandis*, to all European countries, and was the principal difference in comparison with the United States. The high burdens for unproductive expenses expressed in high taxes and high rates of interest prevented the creation of new capital. What was true of agriculture was also true of Continental industry. The high taxes and debt interest in combination with the decline of marketing conditions were the reasons for the enormous unemployment which had become a permanent phenomenon of industrial Europe. It would seem to be the fate of the Continent, which could only be temporarily averted by inflation. It meant an inevitable reduction of purchasing capacity, even where real wages were higher than before the war, as in Great Britain, Scandinavia and Switzerland. Germany, however, had the highest unemployment figure, while she had at the same time reduced actual wages.

It was comprehensible that industry should seek to improve its position by means of protective Customs duties, and should adduce high taxes, social burdens and debt interest by way of explanation. In those circumstances, agriculture demanded for her part that the industrial duties should be compensated by agrarian duties. These demands were justified and logical enough from the point of view of the single undertaking and even of each branch of national production. But from the point of view of national economy as a whole, they could not be recognised as a complete and permanently effective cure ; for the result

could only be to cause a general rise of the domestic price level, which in itself was harmful to industrial exports. Further, they meant increased difficulties in the situation of the workers and a new reduction of their purchasing capacity. A true cure for the evil of world economic depression in general and agrarian prices in particular could only be found by removing the ultimate causes of this depression.

With regard to Eastern Europe, it was to be hoped that the endeavours of the Governments and populations of those countries would in time succeed in gradually raising the productivity of peasant economy. Promising beginnings had been made. The reduction of the yield of the soil in Central and Western Europe in consequence of the war was on the point of being overcome by hard work. These were tasks which every nation must attack and carry out for itself. Many improvements could be made in commercial and credit organisations, but their success could only be partial, just as the endeavours of the present Conference to induce the separate nations to remove their protective Customs duties could only be partially effective, unless the principal wielders of economic power, with the United States at their head, took the initiative in a thorough reform of world economy. The smaller and the weaker nations could not be expected to take the lead in removing impediments to commerce. It was in the power of the stronger nations to raise the standard of living of the European industrial nations and to remove the curse of unemployment, and, thereby, the poverty of their own farmers. The political financial liabilities of the nations must first be regulated in a way bearable by all parties. This was the actual key to the cure of world economic evils. With the debt settlement should be organically bound up a reduction of unproductive expenditure in Europe and the progressive reduction of trade barriers. A comprehensive plan of this kind would result in tax reduction, a quickened accumulation of capital, a removal, or at least a reduction, of European unemployment, and a revival of colonisation in the new countries — in short, an increase of general prosperity.

The terrible experiences during, and especially after, the war had proved the solidarity of civilised mankind — that no nation could be enthralled and impoverished without evil results for the whole of humanity. The recognition of this fact would give rise to that sense of solidarity on which President Wilson had sought to build up a new order of the common life of mankind. The Conference would have solved one of its most important tasks if it succeeded in awakening a living consciousness of the essential interdependence of all nations.

Count Ladislas Somssich (Hungary) described the situation of Hungary, as constituted by the Treaty of Trianon, in comparison with the situation before the war.

The territories taken away from Hungary consisted of the following :

	<i>cad. acres</i>
Ploughed land	12,721,000
Gardens	495,000
Meadows	3,402,000
Vineyards	170,000
Pasturage	3,996,000
Forests	10,808,000
Osier-beds	37,000
Uncultivated land	1,128,000

• Hungary's heaviest loss was in respect of forests. There only remained about 14.5 per cent of her

former forest land. The largest and most valuable forests and those most suited for exploitation passed into foreign possession. The enormous pre-war export of timber had been replaced by substantial importations. Ploughed land, which each year and irrespective of weather conditions, had yielded an abundant harvest had been detached from Hungary ; Hungary had also been deprived of 60 per cent of her meadow-land, and was compelled to produce forage by artificial means to replace natural forage. The loss of 65 per cent of her pasture land made it impossible to maintain live-stock in proportion to the ploughed land which remained and which required more difficult and more intensive cultivation. Lastly, the loss of 86 per cent of her forests made it impossible for her to provide her farms with those wooden buildings and installations essential to systematic cultivation.

The increase in the costs of production in Hungary was largely due to the rise in the prices of raw materials and of the means of production, to the rise in wages and the increasing burden of taxation — the latter being naturally more appreciable in the States which belonged to the Central Powers than in the Allied countries.

As regarded the marketing of agricultural produce, the situation had completely changed. The various Succession States surrounding Hungary did all in their power to safeguard the interests of their agricultural production, and placed obstacles in the way of the importation of Hungarian produce. Hungary therefore encountered difficulties in marketing her cereals and flour, vegetables and seeds, store and fat cattle and animal products. The flour trade, her most important and flourishing industry, had lost ground and was declining, because of the loss of the territories which mainly produced wheat for flour, and because prohibitive Customs duties made it extremely difficult to sell in Austria and Czechoslovakia the flour obtained from Hungarian wheat.

The sale of her grape and wine crops also encountered great difficulties. The frontiers drawn by the Treaty of Peace included 384,000 acres of vines out of 526,000 acres in old Hungary. Thus Hungary retained about 70.37 per cent of the old vineyards, but the loss of two-thirds of the national territory led to a proportionally restricted home market. The Customs unity existing before the war between Hungary and the larger Austria had made it possible to sell wines freely and without any artificial hindrance (Customs, prohibitions, etc.) in a territory of the same extent as old Hungary, and the density of whose population had been nearly double that of present-day Hungary. To-day, since various States formed out of former Austria had imposed excessive Customs duties, import prohibitions, or taxes on consumption in respect of Hungarian wines, Hungary was obliged to store a surplus of from one to one and a-half million hectolitres of wine, which contributed considerably to the fall of prices on an already depressed market.

The Hungarian agriculturist was therefore obliged either to part with his products at prices below world level, with the result that he produced at a loss, or had to increase his prices in order to make good this loss, in which case he was unable to compete with his rivals, a very serious matter, inasmuch as 75-80 per cent of Hungary's total exports were agricultural products.

These difficulties had been further aggravated by the influence of agrarian reform and the question of agricultural credits. The agrarian reform created a general feeling of insecurity. The landlords, in the state of uncertainty in which they had been left until it had been decided what part

of their land would be subject to agrarian reform, had to refrain from intensive cultivation and from new installations. Furthermore, the peasants who had received land in virtue of the agrarian reform, not possessing the necessary capital or equipment, could not cultivate this land as intensively as it had been cultivated in the past, so that it yielded less than it had done under its former owners. The State was not yet in a position to be able to assist the agrarian reform financially.

The basis taken for granting agricultural credits was a fair proportion between the rate of interest and the yield of the land. In time of peace the difference between the yield and the annual payments — including interest on capital — had never been in excess of 1-1½ per cent in the case of mortgage loans.

Generally speaking, Hungarian agriculture could look forward to a prosperous future if, side by side with an improvement in marketing facilities, it could be assisted by agricultural credits at reasonable rates. Hungary was accordingly following with close attention the activities of the Committee on Agricultural Credits, which she hoped would be able to find a practical solution of this question.

In Hungary, agricultural production, and particularly the interests of the small-holdings, were effectively supported by agricultural organisations, which had been in operation for several decades, and included as members a considerable proportion of the population. The Hungarian co-operative societies had always sought regular contact with international co-operative organisations, but had not always achieved the desired results. Hungary would eagerly welcome the development of any international scheme for securing, by means of agricultural organisations, joint action on the part of the farmers and the co-operative consumers' movement, for Hungary would like to see a regular exchange of goods between her central agricultural co-operative societies for marketing and the consumers' co-operative societies of neighbouring States to the advantage of both parties.

The degree in which an essentially agricultural country, like Hungary, situated in the centre of Europe, could contribute to the food supply of Central Europe and so take its place in the world economic system, could not be a matter of indifference to Europe.

The principal points of common interest were :

(1) The calculation of agricultural costs of production, marketing opportunities, and the compilation and comparison of the relevant data with a view to ending the present state of things which threatened the landed proprietor, for reasons beyond his control, with the loss of his capital invested in land ;

(2) A common effort should also be made to secure for agricultural interests equality of rights with industrial interests ;

(3) A service of agricultural information on as large a scale as possible ;

(4) A uniform and international defensive organisation against diseases affecting animals and plants.

Mr. Enfield (British Empire) said that there was one proposal of a general character which he wished to move before the Committee divided into sub-committees. The point raised in the previous discussions, upon which much emphasis had been laid, had been the disequilibrium between agricultural and industrial prices. He submitted

that this matter was one of fundamental importance. Upon the general truth of this statement a great deal depended. In his judgment, therefore, it was necessary to establish this fact. Was it universally true ? Was it only partially true ? These were questions which must be answered, and it must be remembered that they were not necessarily answered by the comparison of simple index numbers. Again, it must be borne in mind that, in the United States, where the level of agricultural prices was below that of industrial produce, there had been a rapid expansion of industry, while in Great Britain, where agricultural prices were above those of industry, there had been a decline in industrial output. Assuming, however, that this disequilibrium was a fact which the Committee could establish, there were certain general conclusions of importance to be drawn.

M. de Michelis had attributed the disequilibrium largely to reduced industrial productivity in relation to agriculture, and the same subject had been referred to by subsequent speakers. The cure — or one cure — would be an increase in industrial production. But there were obviously two ways by which price equilibrium might be restored — one was by greater industrial productivity and the other by smaller agricultural productivity. With four million unemployed workers in Europe there could be no doubt which was right, but it did not follow that the right solution was the one which would necessarily occur. There was a danger — possibly a serious danger — that equilibrium would be restored by the elimination of the marginal farmer and a reduction in the world's agricultural productivity just at a time when everyone was seeking a way towards greater production. This would be tragic, but, if true, it was a danger of which not only the Agricultural Committee but the whole International Economic Conference should be aware.

To these alternatives there was one further possibility, *viz.*, that agriculture could so improve its technique as to enable it to survive permanently on a lower level of prices, in relation to those of industrial produce, than obtained before the war.

To explore this question was the work of the Sub-Committees and they would no doubt do their utmost to find a solution on these lines. Nevertheless, it might be the case that an extensive improvement in agricultural technique was not immediately possible and, on this supposition, it seemed clear that the future prosperity of agriculture was bound up with that of industry and commerce. The way to agricultural revival lay very largely in the removal of trade barriers.

It was therefore necessary not only in the Agriculture Committee, but in the Industry and Commerce Committees, to bear in mind the dangers which the present situation implied. If his assumptions were correct, the future of agriculture depended chiefly on a revival of industry. Should there be no such revival, the world would be confronted with the danger that there would not only be no immediate expansion but that there would be a restriction of agricultural output in order to restore the normal price equilibrium.

There was one further point. He did not think it was by any means true to speak of a world agricultural crisis. There was no crisis in the sense that something had happened suddenly to agriculture. It would be more true to say that there was a widespread depression differing in severity in certain parts of the world. But even if this were granted, it must be admitted that there were some countries that were not depressed at all. He did not think it was wise to leave this vague. A more detailed diagnosis was desirable to show how far severe agricultural depression was localised,

or how far it was shared by a large number of countries.

M. Obolenski-Ossinski (U.S.S.R.) said that the Committee had listened to two eminent specialists on the present agrarian crisis — Dr. Sering and Mr. Enfield. It would be of advantage to the Committee if they could also hear a representative of the Stanford Food Research Institute. Mr. Taylor, the director of that Institute, was present, and his work on the production of food products was well known throughout the world.

One question to be decided was whether the post-war agricultural crisis was due to the same causes and was of the same character as the old crisis which started about 1870 and continued into the first years of the present century. He thought Dr. Sering was correct in saying that the character of the present crisis differed from that of the old. The former agrarian crisis had been due to the burdening of the world market by the produce of enormous areas of virgin soil possessing a hitherto unused capacity for production and paying no rent. That was a phenomenon which could not now recur. With such different conditions there must be a different result. Regular over-production was no longer a necessity.

In the previous year the price of American cotton had fallen suddenly to approximately one-half of what it had been the year before, and there was now the possibility of a very acute fall in the prices of other agricultural produce.

The post-war depression in agriculture was due to the same general causes as had led to the general depression, and those causes were specially important in their effects on agriculture. The fall of the purchasing power of the workers, the existence of monopolies for the production of industrial goods, the organisation of merchant and banking capital, were all of great importance to agriculture. In the United States, for instance, the purchasing power of the farmers had been reduced by the pressure of the organisations buying grain from them. It might therefore be asserted that the agricultural depression would not pass until those general causes were liquidated. Personally, he thought there was every possibility of more acute depression in the future. The improvement in the agricultural market which had taken place in 1925 had not been due, as Dr. Sering had suggested, to the stabilisation of German currency and to the introduction of the Dawes Plan, but rather to an improvement in industrial conditions and particularly to the bad harvest in 1924. There was no guarantee that in years to come, if good harvests prevailed all over the world, there would not be a fall in prices. In fact, the quotations for future supplies on the Chicago market showed that a fall was anticipated next autumn, and, in his opinion, that view of the situation was correct.

Dr. Sering thought that Russia would not develop her export of cereals to any great extent because of the pressure of expensive State machinery on her exports and because her industry and commerce were in bureaucratic hands. But the most important cause was to be found in the

statistics. Before the war, after a good harvest, Russia had possessed invisible stocks amounting to 600,000,000 poods — about 10,000,000 tons — of grain, and, according to the latest calculations, the stocks on July 1st, 1925, had amounted to only about 170,000,000 poods after a bad harvest. After the harvest of 1925 the stocks had been replenished, but to the extent of only two-thirds of the stocks after a good harvest, the quantity being approximately 440,000,000 poods. It was calculated that, at the beginning of the present agricultural year, July 1st, 1927, the peasants would possess the reserve they had had before the war. If there were a good harvest in the present year, it would be necessary for Russia to export. It was more profitable to export meat and other foodstuffs, but the first thing to do was to export wheat. That would be necessary, and if that could be done on a considerable scale the situation would be a little changed. The intention was not to make the agricultural situation more acute, but it was necessary to export for economic reasons.

It was useless to think of any diminution of production in this connection. During his visit to the United States in 1925, M. Obolenski-Ossinski had heard much talk of diminution of production, and he supposed that for the United States this had become the agricultural point of view. In Russia, the programme was not diminution of production; it was the development of agricultural production and the cheaper production of agricultural products. Russia was against agrarian protectionism, which meant that the workers would have to buy grain and wheat very dear and that there would be no profit to the small producers, for only the big estate owners, speaking generally, had an interest in the imposition of agrarian duties. Russia was categorically against agrarian duties in all lands, just as she was against the increase of agricultural prices.

If Russia took part in any international organisations for the regulation of the trade in grain, such, for example, as wheat pools, she would only seek to protect the interest of the peasants, not of the great estate owners, and her participation would be directed towards avoiding any bad results which possibly might accrue. The interests of the small producers approximated to those of the industrial workers.

Not only would Russia be able to export more this year with a good harvest, but it must also be remembered that the final steps were being taken in the reconstruction of her agriculture. The cultivated area in 1926 had been 95 per cent of that of 1913. After a good harvest in Russia, the cultivated area was always increasing; this was one of the most important factors. It could be assumed that in 1927 the pre-war surplus would be equalled. In the international field, that meant that Russia was practically in her old position, and he would conclude by saying that the Soviet Union this year and next year would become again as important a member of the international family of agrarian States as Russia had been before the war.

The remainder of the discussion was postponed to the next meeting.

FOURTH MEETING

Held on Tuesday, May 10th, 1927, at 3 p.m.

Chairman : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

1. FORMATION OF THE SUB-COMMITTEES.

The Chairman proposed the formation of the following Sub-Committees :

First Sub-Committee (General Questions).

Chairman : M. GAUTIER (France).
Vice-Chairman : M. RESTREPO (Colombia).

Second Sub-Committee (Co-operative Organisations).

Chairman : M. KLINDERA (Czechoslovakia).
Vice-Chairman : M. ÖRNE (Sweden).

Third Sub-Committee (Agricultural Credits).

Chairman : M. HYNNINEN (Finland).
Vice-Chairman : M. STECKI (Poland).

M. Hynninen (Finland), owing to his insufficient knowledge of French, regretted his inability to accept the Chairmanship of the Third Sub-Committee.

The Chairman then proposed to elect M. STECKI (Poland) as Chairman of the Third Sub-Committee and M. HYNNINEN as Vice-Chairman.

The Chairman's proposition was accepted.

2. GENERAL DISCUSSION (conclusion).

Rehid Safvet Bey (Turkey) described the revival of agriculture in Turkey, where agriculture was of the first importance, from the point of view both of production and consumption, since 80 per cent of the population were engaged in it. The excess of births and immigration of Turkish people from neighbouring countries had partly made up the losses due to a series of wars, and the rural population were working with more energy and method under the encouragement of the President of the Republic and of the Government, who were convinced that agricultural prosperity was the remedy for economic depression. The supply of agricultural machinery, facilitated by the Agricultural Bank, had helped to increase output. Of the total production of commodities in Turkey, valued in 1924 at £T.700,000,000, four-fifths was agricultural produce, of which one-third was for export. The figures of production and of export for 1925 and 1926 were considerably higher.

There was in Turkey a total of more than 30 millions of domestic animals, representing a value of 3 to 4 million Turkish pounds. Of a total area of 747,351,000 denums¹, there were 221,582,000 denums of arable land, 139,487,000 denums of forests and 270,000,000 denums of pasture land, 30 per cent of Turkish territory being thus suitable for agriculture. It was solely owing to the lack of capital and of means of transport that in 1924 they had only been able to sow 40 million denums and about 52 millions in 1926. It was estimated that the harvest of cereals was 4½ million metric tons in 1925. Asia Minor had been one of the most

¹ 1 denum = 920 sq. metres.

abundant granaries and one of the nearest sources of raw material of Europe ; it could become so again if they had increased capital at their disposition and developed means of transport. The present Government was going into this question.

After the abolition of the antiquated system of tithes, the assessment of taxes had been radically changed so as to relieve agriculture from the crushing charges which had weighed it down for centuries. To-day the peasant was the least heavily taxed of all Turkish taxpayers. On the other hand, new railway lines for which concessions had just been granted to Swedish and Belgian companies enabled agricultural produce to be brought down to the coast, products which would otherwise have rotted on the land for the lack of means of transport. Up to the proclamation of the Republic, Turkish agriculture had been so to speak the prey of middlemen, of usury and speculation. Since 1922, the Government had brought all its efforts to bear on the raising of the agricultural classes and on a rational organisation of work. In the East there was a sort of latent social struggle ; commerce, being rather international in character, sought to exploit agriculture, which was national in character.

He had gathered from M. Gautier's declarations that it was thought desirable that the protection of agriculturists throughout the world and the defence of their interests against monopolies should be organised on an international basis. The creation of an international institution for agricultural credit would be of worldwide utility and would prevent a great many crises. The speaker was of opinion that such an institution, enjoying, from the world point of view, the regulating rôle played by a State Bank among other banks in a country, would ensure to national agricultural banks the possibility of extending the scope of their loan operations at lower and uniform rates of interest and for longer periods, according to the kind of cultivation. If channels of credit for agricultural purposes were established between America, Europe and the East, the whole of agriculture would profit. In Turkey the numerous branches of the Agricultural Bank, of which nearly all the peasants were shareholders, could absorb capital, giving good security. This Bank alone had advanced £T. 20,748,000 to agriculturists in 1926.

Dr. Hermes, while admitting the indispensable character of international trade, had remarked that its rôle had been sometimes exaggerated and it was suggested that it might be brought back within normal limits by appropriate international action. Certainly the definition of the relationship of commerce and agriculture from an international point of view should be one of the most important objects of this Committee.

He supported the motion of the Portuguese delegate on the protection of agricultural products against disloyal competition. A certain number of foreign products more or less resembling Turkish products were sold on European and American markets as Turkish, to the great detriment of the latter.

In contrast to the conditions in various neighbouring countries the system of private property prevailed in Anatolia, where the land had been divided up for centuries and worked

individually by the peasants. In Turkey, the wife helped her husband in the field work to a far greater extent than was supposed. Large properties and farming out had long ceased to exist. Serfdom was unknown under the Turkish régime. Any general measure aiming in one way or another at the development of agriculture and the protection of the products of the soil and of live-stock would therefore benefit the majority of the inhabitants of Turkey.

He would note with satisfaction any suggestions of an international character tending indirectly to increase the agricultural producing power of his country and to protect its products abroad against unfair competition; to develop agricultural credits and to give them if possible an international basis; to increase the purchasing power of agriculturists as well as the means of communication and of transport, which were of such importance in facilitating the marketing of national products and in lowering the price of imported articles.

He did not fear agricultural over-production, the first effect of which would be to enable everyone to be better fed and at less cost. If Turkey were to contribute her share to the increase of world supplies of raw material, if she were to be able to open her country to American and European markets, the Turkish peasant, whose reputation for honesty, sobriety, and hard work was known throughout the world, would increase his purchasing power, procure the necessary tools and be able to transport his products rapidly and cheaply to the ports. He thought that, in a more favourable international atmosphere, his country, thanks to the qualities of its peasants and its soil, and as a consequence of its geographical situation by the sea and between two continents, might be a factor of general prosperity more important than was generally supposed from the demographic elements at its disposal. It was precisely this atmosphere which the International Economic Conference and the Third Committee were trying to create, and he wished them every success.

Mr. Hight (New Zealand) described the policy which had helped to give New Zealand an export trade which was the largest in the world per head of population. 95 per cent was contributed by the pastoral industries.

Though New Zealand was a new country, crops could no longer be raised without manures or marketed without careful organisation. The country had passed through very severe and prolonged depressions at the end of the 19th century. Her recent prosperity had been due to circumstances, of which her population had availed itself, a wise system of land tenure, the encouragement of land settlement by taxation of large and unused holdings, the provision of loans at low rates by the State, and the careful organisation of production up to the point of shipping the produce.

The system of land tenure was varied and elastic. Two-thirds of the total area was occupied, nearly half in freehold: of the leasehold the greater part was rented from the State on a variety of suitable tenures. The sale and purchase of land was facilitated by a cheap and rapid means of transfer of titles.

The State undertook a great deal of scientific agricultural research, provided efficient means of inspecting flocks, birds, meat, dairy factories, and graded all produce for export so that the European importer could know what he was contracting to buy. The same applied to the organisation of the dairying industry on a co-operative basis. During the past few years, control boards had been constituted by Parliament

in the frozen meat, dairy produce, fruit and honey industries, to survey the total production of these industries, distribute the shipments, and control the overseas marketing throughout the year in relation to the changes in demand so as not to produce a glut at any one period.

It was generally realised that New Zealand could not develop cheap mass production of manufactures and that it was to their interest to exchange their primary products for manufactured goods. Hence the tariff on imports was as low as possible. The revenue raised by Customs duties in 1925 was 15.8 per cent of the total value of imports; yet it was in many ways very hard upon the farmer.

Such was the general position after the depression ending about 1900, up to 1920. Refrigerating was then perfected, the general level of prices rose rapidly, and New Zealand sold at higher prices than she bought. These factors, assisted in their operation by the economic policy of the country, led to increasing prosperity. But this prosperity had induced speculation in land. Farmers gave place to speculators in real estate, brokers and conveyancers, and productivity dropped. In 1926 the value of the exports fell by £10,000,000 although their volume had increased since 1925, and importers had placed huge orders overseas. The index numbers showed that the price of animal products was 22 per cent higher, general wholesale prices 53 per cent higher. Many of the difficulties of the post-war period arose immediately from the disparity. The opinion was growing that tariff reform was necessary; greater simplicity of classification and tax reduction was likely to lessen the cost of production to farmers. Farmers were also demanding a stricter control of public expenditure.

The prosperity of agriculture would depend on the training of the farmer classes and their ability to foresee new conditions; this called for a system of popular education that developed initiative and resourcefulness, for the selection of leaders from the farming class itself, for a constant search for new products and methods — this was the education which would induce people to love the land.

M. Ferdinand Klindera (Czechoslovakia) said that, in the economic disorders and difficulties arising out of the war, Czechoslovakia had understood that she must count rather on herself than on foreign help. She had burdened her population so as to balance the budget, and had inaugurated a complete scheme of social legislation. The consequent financial burden weighed more heavily on Czechoslovak agriculture than was the case in the more industrialised countries of Central Europe. The crisis had taken on the double aspect of a crisis of production and a crisis of markets. The increase of industrial wages had brought about a shortage of labour in agricultural enterprises, and on the other hand markets had become scarce.

Czechoslovak agriculture had suffered more than any other branch of national economy from State intervention with the object of fixing prices of agricultural products within the country. Moreover, free access for the more important agricultural products from abroad had brought about a drop in prices. Even to-day, Czechoslovak agriculture did not yet enjoy the protection which it had had before the war.

Any proposal which the Conference should adopt for the advancement of agriculture should have as its object the increase of output in all branches of production, without allowing those measures to go so far as to compromise the prosperity of agricultural production or to lower the standard of life of the agriculturists or the

agricultural labourer. The resolutions of the Conference should, on the contrary, tend to raise the standard of life of these workers.

Mr. Varley (British Empire) spoke of co-operation in its international aspect, and dealt chiefly with the international trading operations of the Co-operative Wholesale Society.

The sum total of the imports of the C.W.S. for 1926 amounted to over £30,000,000 and included cereals, grain products, sugar, peas, seeds, animal fats and meats, dairy produce, vegetable and mineral oils, colonial and tropical produce and fruits, tinned goods, perfumes, textile and other manufactured goods, timber, minerals, chemicals and fibres. The great bulk of its imports consisted of agricultural produce. In 1924 its mills turned out 420,000 tons of flour and 300,000 tons of offal, largely from imported grain.

Co-operative organisation of producers had not yet developed to the extent of being able to supply all the requirements of the consumers' societies, but was doing so to an increasing extent. The oldest association of the British organisation was with Denmark for bacon and butter. Twenty per cent of Denmark's exports was butter, which constituted 29 per cent of her total exports to Great Britain. In Denmark, the price was fixed by a mixed committee of producers and merchants on which the C.W.S. was represented. Payment was effected weekly in cash, and the whole system worked very smoothly.

The co-operative movement worked rather differently in Australia. It financed the wheat pools of Western Australia and of South Australia, with the result that in 1924-25 9,400,000 bushels were received into the pool, and £1,365,000 was advanced. After the first year, the South Australia Co-operative Pool asked to be included in the co-operative movement. For two years the figures for the two combined pools were: 1925-26 — 11,406,000 bushels and £1,835,000 remitted, and in 1926-27 — 26,746,000 bushels and £4,810,420. Advances were made on a fixed basis, adequately secured. The wheat was sold on the London market by agents, the Overseas Farmers' Co-operative Federation Limited and a firm of brokers. Any wheat bought was bought at the current price.

For New Zealand there was the New Zealand Producers' Association in London, in which the New Zealand Farmers and the Co-operative Wholesale Society had equal shares of capital; butter and cheese were sent by the New Zealand co-operators on which the Co-operative Wholesale Society made an advance on its arrival in London. It was handled by the Joint Association and the price fixed as follows. The New Zealand people gave their price of the goods to the English Society, which was not under obligation to buy. The New Zealanders had, however, to sell to the Co-operative Wholesale Society at the minimum price for the day. The Joint Society was managed by a Committee representing both organisations.

The Russian co-operators approached the Co-operative Wholesale Society in 1922, saying that they had quantities of wheat and grain for export, but had no money with which to finance them. A joint company was finally formed, half of Russian capital and half English. The Co-operative Wholesale Society, a shipper and a broker held the English shares, five-eighths of which were held by the Co-operative Wholesale Society. The price was ruled by the markets of England and of Europe, for this company brought grain not only to England but to other European countries. The transactions had been satisfactory and had developed considerably. The Co-operative Wholesale Society made advances of money to

the Russian co-operators for cash payment to the small farmer, a further advance when it was railed, and a still further advance on shipment. The quantities shipped in 1926 were 685,800 tons and up to April 11th, 1927, 399,059 tons.

Arrangements also existed for shipping butter from the co-operators of Siberia. Here, again, the cash was advanced in three stages as above. Eight and a-half million pounds sterling were advanced to Russia in 1926. Relations with the Russian co-operators had been entirely satisfactory.

In his opinion no universal scheme would be applicable. Each must work out its own for the advantage of the agriculturist and the consumer. Agriculture lacked capital. Months elapsed before the farmer could gauge the market value of his production. He must have credit. The question was, on what security? His marketing arrangements should be modernised. The farmer could reach the consumer more effectively by co-operation between the farmers' societies and the consumers' co-operative movement than by middlemen.

There was also the question of over-supply and under-supply. The poor farmer who could not store his produce lost money. A complete system of co-operation and cold-storage was needed to solve this difficulty, as well as co-operation for the supply of manures, seeds and machinery.

There remained the difficulties of price and quality; an average price for equal quality should be available for the year's produce. This could be arranged through the Agricultural Society, which would have a grading committee composed of producers and consumers alike and a further committee (or person) to whom all disputes under this head could be referred.

Dr. Porchet (Switzerland) expressed his agreement with M. Poisson that the economic prosperity of the world depended above all on the increase of production, with the reservation that no limit of time or space be placed on the application of this principle. Agricultural production throughout the world could be considerably increased everywhere, and arable land, or land which had been made arable, would yield the full output of an intensive agriculture, guided by agricultural science, which was constantly advancing. But this Conference must study first of all the present situation, and find practical means for improving it in the near future; under this narrower angle, the aspect of the connection between the increase of agricultural production and industrial production changed. The possibility of increasing industrial production seemed unlimited; that of agriculture on the contrary was limited.

During the last decades they had seen industrial production advance from 1 to 10, then 100, then 1,000 and more, through the adoption of "mass" production. It might, theoretically, increase indefinitely. Was it the same with agricultural production? The possibilities of an immediate increase in production certainly existed, but they were not infinite. Agriculture could modify, but could not suppress, biological laws. The principal transforming agents of agriculture were plants and animals. In the present state of scientific knowledge, it was an illusion to count upon the possibility of multiplying in the near future by 10, 100, or 1,000 the present production of wheat or of milk. If, in certain areas, increased production were easier for agriculture than for industry, in countries with an advanced agricultural technique the situation was different.

The Conference had been unanimous in indicating as the remedy of the economic crisis

an increase in the buying power of the working people and peasants, which would in consequence stop the exodus to the towns of the more intelligent elements in the rural population. This principle might be applied in different ways according to the standard attained by the peasant class and, keeping within general considerations, it might be said that agricultural instruction was the best means of developing the technical knowledge of the peasant. Its action was not only professional but educative. It led to the improvement both of agricultural methods and of the conditions of the family and social life of the population. Agricultural associations completed this process, but they conferred on the agricultural population not only rights but duties. That was why the peasant class in places where this double process was in operation made legitimate demands from the point of view of housing, food, general culture, etc., and the peasant had the right to demand remuneration for his work which would enable him to rise to a higher social level.

Though industry, by perfecting its equipment, might hope to give higher salaries whilst lowering its costs of production, agriculture was limited in this respect by the interplay of climatic conditions and biological laws. Thus there were cases where the proper payment for the peasants could not be obtained without the protection of certain national products against the competition of products imported from areas less technically advanced and where wages were inadequate. This should be taken into consideration in any attempt to co-ordinate the recommendations of the Committee on Commerce with those of the present Committee. The Conference would certainly not recommend measures which would make it still more difficult for the more cultivated peasant classes to survive, by refusing them legitimate protection, because they must not seek a balance between the different social levels by lowering some so as to raise others, but on the contrary by the general improvement of rural life throughout the world. This was in fact the only way in which they could conform to the law of perfectibility which, since prehistoric times, had slowly but steadily raised individuals and groups of individuals towards greater knowledge and happiness.

M. Colloredo-Mannsfeld (Austria) reminded the Committee that what used to be Austria-Hungary was, in the true sense of the word, a league of nations completing each other from the economic point of view in almost every way. But they could not hope to come back to such a position. It was rather necessary to study the present state of affairs so as to foresee suitable means of relieving the crisis from which almost the entire agricultural population of Europe was suffering, and above all the grave crisis in which Austria was struggling. To understand this crisis, it must not be forgotten that, after the breaking-up of the old Empire, the only territory remaining comprised 4,000,000 inhabitants, in the centre of which was the capital which alone absorbed one-third of the population. To-day the agricultural population consisted principally of peasants, that is to say of small holders. Agricultural properties of large and medium size only formed 6 per cent of the land under cultivation in Austria. The agricultural population worked under extremely difficult conditions, except in one part of lower Austria. Ten per cent of the agricultural properties were situated at more than 800 metres above sea level. Austria also suffered perhaps more than any other European country from the disproportion between the cost of production and the yield in agriculture. What means should be taken to safeguard

production and prevent depopulation? "Decrease taxes and increase the price of agricultural products by means of intense protectionism" would be a simple answer. But it was not a remedy, for the world could not be divided into producers and consumers, since every agricultural producer is also a consumer. The Customs tariffs of Austria were lower than those of the neighbouring countries and, if she contemplated raising them, it was because she could not remain an island in a sea of protection. Therefore, she only saw in protectionism a forced remedy and consequently a temporary one. The real cause of the agricultural crisis of this country was the incredible confusion existing in all branches of commerce. The latter, which up to the present had had natural interchange as its basis, had been cut off from its markets, and it was not astonishing that a grave crisis should have resulted.

The Austrian delegation hoped, therefore, from this Conference the recognition that the principal cause of the agricultural crisis was the confusion existing in the commercial world, and hoped that it would work for the salvation of Europe and the world.

M. Sečérov (Kingdom of the Serbs, Croats and Slovenes) said it had been stated both in the plenary meetings and in committee that the agricultural depression in some countries, such as Hungary, was caused by the division of the pre-war State territories, which had been supposed to form an economic unit. An economic unit might be defined as an area which was self-supporting and could produce all the primary as well as secondary industrial and agricultural goods, all of which should be consumed in the same territory. A self-contained area in the exact sense did not exist. The British Empire, the United States of America, Europe as a whole and perhaps the Russian State might be considered as approximately self-supporting areas. Even these were not economic units in the full sense, because they exchanged products, thus supplementing each other's production. It was therefore an economic fallacy to speak of economic units in the case of small European States, and it was also an economic fallacy to consider the change of political boundaries as the cause of economic depression. Some difficulties might be caused at present in that way in some industries and in commerce, but the general economic crisis was not so caused. The general economic situation to-day was characterised by the disparity of production in industry and in agriculture. The resulting excess of production could not be consumed because the purchasing power of consumers and especially of the agricultural population was not increasing in proportion. Equilibrium could only be established by raising the standard of life of the agricultural population, and that could only be done by increasing production.

Investment of capital was indispensable to intensive agricultural production, and the producers could not save enough for this purpose even if they organised themselves in co-operative societies. If, therefore, the industrial communities wanted consumers for their goods, they must try to raise the purchasing power of the agriculturist by the organisation of agricultural credits. He thought this was the most important question before the Committee. In addition to the formation of an international agricultural credit institution based on co-operative societies, he recommended the organisation of long-term mortgage credits at low interest through the banks. He suggested that a sub-committee should be set up to study the question.

Mr. W. A. Wilson (Canada) said that, though of all agricultural countries Canada stood first in the ratio of increase of production in the past twenty-five years, she had not escaped the post-war agricultural depression. Concentrated and effective work to meet changed conditions had been necessary for the Canadian people to adjust their methods of production, manufacture and marketing to the national and the world situation.

The organisation of the Wheat Pool for marketing the wheat co-operatively was an outstanding instance. In the western provinces of Saskatchewan, Manitoba and Alberta, a separate organisation, called the Co-operative Wheat Producers Limited, was incorporated, and the respective managements undertook to secure, for marketing, the wheat of 60 per cent of the acreage. The farmers were asked to sign a five-years contract to market all their wheat through the Pool. The signing of the contract was purely voluntary, but it was binding for five years. For selling purposes, the three provincial co-operative organisations consolidated their activities into one company, the Canadian Co-operative Wheat Pool Limited, and this company now marketed the wheat grown by 137,000 members and controlled 75 per cent of the wheat acreage in the provinces named. In addition, it operated about 600 inland elevators. Official national grade standards and official grading of wheat were established in Canada. With the reputation gained by the operation of those standards, credit facilities for the co-operative company were not difficult to secure.

The system of central financing and marketing had rendered valuable assistance to the small farmer. The Pool accepted the grain and advanced these farmers a liberal percentage of its value on delivery at the elevator. In fact, each year the company had made a second advance payment when the marketing had been so far completed that its final value was approximately known. It was evident that the orderly movement by thus marketing this heavy tonnage had stabilised the year's wheat prices considerably for the farmers.

Group organisation on a less extensive scale for preparing for market and marketing other farms' products was progressing. Canadian agriculture had benefited greatly by this policy. The domestic table was the last place in which the great mass of consumers, with reduced buying powers, would try to effect curtailment of expenditure, but the producer and manufacturer, assisted by a policy of official standards and grading, could make the quality of the products so enticing that consumption could even be greatly expanded. A recommendation for a strict policy of this kind in the various countries represented at the Conference was worth consideration.

Professor Tassinari (Italy) observed that Italy was a mountainous country in which the plains represented barely 22 per cent of the total area under cultivation. The natural fertility of the soil was extremely limited. The population, which was about 42 millions, increased annually at the rate of 400,000 souls.

The Italian soil was naturally not fertile; the rich agriculture of the plains was the work of man. For the last four years, Italy had strained every effort to intensify her agriculture and to increase the area of land under cultivation, but for this they needed considerable capital, which Italy did not yet possess and which she had not inherited from the preceding generations.

A great deal had been said about agricultural credit organised on an international system. It was not possible to express an opinion except

on a concrete proposal. Nevertheless, if the present Conference were simply to result in the creation of new organs of research, it would be advisable to remember that the International Institute of Agriculture devoted constant attention to this important problem.

In his own country, there was, on the one hand, a dense population continually on the increase, on the other a limited area whose soil was not naturally fertile, and where the transformation of areas of a low productivity into areas of a high productivity implied the investment of considerable capital, which was lacking. The Italian delegation would therefore support all practical suggestions for studying the best means for procuring credit for agriculture and would collaborate with good-will towards the attaining of this object in the general interest.

Dr. Kwanji Sato (Japan) said that the Far-Eastern States had been suffering from similar economic difficulties to those of European States. Since 1920 the price of agricultural products in Japan had steadily decreased, while the prices of commodities necessary to the farmer had remained at a high level. This discrepancy was at the root of the existing grave problems. Proposals for the improvement of agricultural conditions had been discussed at considerable length in Japan, but the real difficulty in the case of agriculture lay in the fact that the method of cultivation was already of an extremely intensive nature. Most of the farming in Japan was done by the members of families on a very small scale, and was far from being developed into a capitalistic enterprise on a large scale. Under these conditions it was not possible to encourage agriculturists to adopt more intensive methods, and in his opinion the best way of improving the economic position of farmers was to develop the co-operative system, which had already made some progress in recent years.

Agriculture in Japan was unique in intensity of cultivation, because the staple agricultural product was rice, which was a crop which could be subjected to intensive cultivation. It was estimated that, in Japan, one-tenth of a hectare of land was sufficient to support one person in rice for a year, and this explained why 6 million hectares of arable land in Japan was capable of supplying food for a population of 60 millions. According to statistics, a food value of 2,900,000 calories was obtained from an area of an acre of land. In his opinion, the method of cultivation prevailing in Europe was somewhat extensive and seemed to call for the application of a more intensive method. At the same time, when the prices of various products were not increasing, there might be difficulties in its practical adoption.

M. Brieba (Chile) spoke of the results obtained by the use of artificial fertilisers. In order to prove that the nitrate of soda coming from Chile increased the production in greater proportions than chemical fertilisers, he took as an example the pre-war period of 1909-1913 and the post-war period of 1921-1925. During the first period the average annual consumption of Chilean nitrate had been 17 million tons for Europe and 4 million tons for North America. During the post-war period the European consumption had not reached more than 12 million tons, whereas the consumption for North America had risen to 10 million tons, that is to say 5 million tons less were consumed by Europe after the war than were consumed in North America.

The figures given in a pamphlet distributed to the Conference by the International Agricultural Institute at Rome showed the results of this change

in the consumption of Chilian nitrates on production. They were as follows :

		<i>Pre-war period.</i>	<i>Post-war period.</i>
<i>Wheat</i>	Europe	100	88
	North America	100	132
<i>Rye</i>	Europe	100	89
	North America	100	233
<i>Barley</i>	Europe	100	88
	North America	100	117
<i>Oats</i>	Europe	100	85
	North America	100	121
<i>Maize</i>	Europe	100	84
	North America	100	105
<i>Beet-</i>	Europe	100	82
<i>Sugar</i>	North America	100	152

3. DRAFT RESOLUTION PROPOSED BY M. GAUTIER.

M. Gautier (France) stated that the French delegation had thought that, at the end of this general discussion, it might be useful to submit to the Committee a plan of resolutions in which they had tried to insert the different ideas which had been expressed in the course of the discussion. It was quite understood that this draft of resolutions had no other object than to enable the Sub-Committees to begin their discussions. The Sub-Committees would accept or refuse the resolutions, would retain the ideas which they thought suitable or add others which they considered advisable.

The text of this draft was as follows :

"The International Economic Conference,

"Considering that the mutual interdependence of the agricultural, industrial and commercial classes is no less close than the recognised interdependence of the nations, and that it would be futile to hope that one class could enjoy lasting prosperity at the expense of the others :

"Considering, further, that agriculture is the occupation of the majority of workers in most countries and that the value of its different products represents the greater part of human labour and world trade ;

"Considering that the present crisis is in part due to the fact that, in many countries, the demographic and economic balance has been displaced to the benefit of industry and to the detriment of agriculture ; that, in particular, industrial unemployment in Europe is a consequence of the attraction exercised on dwellers in the country by the better conditions of living, labour and remuneration offered them by industry and commerce ;

"Considering, further, that the measures adopted in certain countries to combat the high cost of living have discouraged agricultural producers, and that the policy of forcing down the prices of foodstuffs, thus reducing the purchasing power of agriculturists, has aggravated and prolonged the industrial and commercial crises :

"Declares that the remedy for this situation is to be found in the re-establishment of a state of economic equilibrium which will assure agriculturists a return on their capital and their efforts equivalent to that enjoyed by persons engaged in industry and commerce.

"The improvement in the situation of agriculture must be effected primarily by the efforts of the agriculturists themselves ; the wider adoption of technical improvements, the scientific organisation of production, sale and the search for markets and of credit and insurance will enable them to reduce their costs of production in their own interest and to the profit of the consumer. In view of the considerable number of independent workers engaged in agriculture (where the tendency towards concentration of enterprises apparent in industry has not shown itself), the organisation of agricultural production must be pursued along those co-operative lines which have already proved their worth in many countries ; it must be supplemented by understandings between agricultural co-operatives and consumers' co-operatives.

"Agriculturists, if they are to improve their situation by co-operative methods, must be encouraged by their Governments. The formation and development of mutual credit, in particular, would be greatly facilitated by State assistance and subsidies.

"Other measures of the future must be effected principally through legislative action. The Conference considers that the social laws ensuring the welfare and security of workers should benefit agriculturists no less than industrial workmen and employees, it being understood that such laws must be adapted to the special living and working conditions of rural populations.

"Tariff protection, which should maintain the balance between the normal remuneration of industrial labour and agricultural labour, should also aim at reducing the excessive instability of prices which arises out of the impossibility for the agricultural producer to determine at will the size of his harvest.

"While consumers as a body are justified in condemning any procedure tending to restrict or destroy super-abundant harvests, agriculturists should be compensated by the creation of an organisation assuring stability of prices, in particular by the expansion of markets, the improvement of the service of public information on harvests and world prices, and by national and international agreements between producers.

"The system of export prohibitions and the frequent modifications of Customs tariffs, which long experience has shown to be ineffectual and dangerous, should be definitely abandoned ; the agricultural producer must find his just remuneration, not through the caprices of speculation, but through regular prices which offer him a legitimate award equivalent to that accorded to other producers.

"Considering, finally, that the policy pursued in industrial or commercial questions reacts on agriculture, and *vice versa*, the Conference requests the League of Nations to ensure that in the organisations or institutions, whatever they may be, which it adopts to regulate world production, to study economic phenomena, and to control the effects of agreements between producers or middlemen, a place be always reserved for agriculture proportionate to its social and economic importance in the world."

The Chairman declared the general discussion closed.

FIFTH MEETING

Held on Monday, May 16th, 1927, at 11 a.m.

Chairman : Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

EXAMINATION OF DRAFT RESOLUTIONS SUBMITTED BY SUB-COMMITTEES AS REVISED BY THE DRAFTING COMMITTEE.¹

The Chairman announced that the three Sub-Committees were now prepared to submit their final conclusions. He wished to thank the Chairmen of the Sub-Committees, M. Gautier, M. Stecki and M. Klindera, for the masterly way in which they had directed the proceedings of the Sub-Committees, as well as the Rapporteurs, Dr. Hermes and M. Porchet, and all the members of the Drafting Committee.

Dr. Hermes (Germany), Rapporteur, said that the three resolutions prepared by each of the three Sub-Committees had been very closely examined by the Drafting Committee, which had tried to meet all the suggestions and proposals submitted to it. He hoped that the Committee would adopt a resolution which would be unanimously approved.

1. AGRICULTURAL CO-OPERATION.

Dr. Hermes (Germany), Rapporteur, read the draft resolution submitted by the Sub-Committee on Agricultural Co-operation. The draft resolution will be found on page 220, as an annex to the summary of discussion in Sub-Committee 2, agricultural co-operation.

Section I, which was submitted without modification, was adopted without discussion.

Section II was adopted, subject to the following amendment, at the beginning of the second paragraph, proposed by the Sub-Committee :

"The efforts made to achieve practical results should be assisted on the part of agriculture..."

After drawing attention to the following passage in the same paragraph :

"On the part of the Governments and public authorities by supporting the co-operative movement through the creation of chairs at universities...."

Dr. Hermes suggested the addition of the following words :

"Or other scientific institutions...."

It had been thought that this modification was necessary owing to the fact that in some countries professorships would have to be created in universities, and in other countries in other scientific institutions.

The amendment was adopted.

¹ Note. — During the interval between the fourth and fifth meetings, the three Sub-Committees on General Questions, Credit and Co-operation had considered and adopted their draft resolutions. Reports of the proceedings of these Sub-Committees will be found on p. 208. The draft resolutions were then considered and co-ordinated by the Drafting Committee.

On the proposal of Dr. Hermes, the concluding words of the same paragraph, "a fiscal policy refraining from taking discriminatory measures against co-operative societies", was omitted.

In Section III, Dr. Hermes drew attention to the following passage :

"Such international unions will find these aims easy of achievement in proportion as they...."

He suggested that this paragraph should be amended as follows :

"Such international unions, to attain their aims, will require confident collaboration with the national and international co-operative consumers' organisations...."

This was an extremely important point. On the one hand, the Committee drew attention to the necessity of international unions of producers, whilst on the other hand it considered that from the outset such unions of producers should enter into close and intimate relations with consumers. The two subjects must not be separated, and the two principles must be established simultaneously.

The amendment was adopted.

Dr. Hermes proposed to omit the second paragraph of Section IV as follows :

"Further, by the continuance of the Co-operation Service which already exists in the International Labour Office."

It would be better not to mention any specific organisation, as the International Labour Office was not the only organisation dealing with the question of co-operatives.

Dr. Hermes also proposed, on behalf of the Drafting Committee, to omit paragraph (3) of section IV as follows :

"By participation of representatives of the co-operative movement of all forms in any institution which may come into existence as a result of the present Conference."

Sub-Committee 1 had adopted a more general formula, claiming for agriculture its rightful place in the economic organisations now existing or to be created within the League of Nations. Hence there appeared no good reason for asking for the representation of a special branch of agriculture.

The proposal was adopted.

M. Varga (U.S.S.R.), on behalf of the delegation of the Union, read the following statement :

"We vote against the resolution because we are of the opinion that the system of the union of all classes in agricultural co-operative societies is bad for the workers and the small proprietors, but the Government of the U.S.S.R. approves the development of agricultural co-operative societies in our country, where these societies are real associations of peasants cultivating their own land."

The Chairman said that M. Varga's reservation would be mentioned in the Minutes. He requested the Committee to vote on the draft resolution submitted by the Sub-Committee on Agricultural Co-operation with the amendments indicated above.

The draft resolution was adopted as amended.

2. AGRICULTURAL CREDITS.

Dr. Hermes (Germany), Rapporteur, said that the Drafting Committee had agreed with the Sub-Committee on Agricultural Credits with regard to certain drafting amendments designed to make the draft resolution harmonise with those passed by the other two Sub-Committees.

He read the draft resolution.

Dr. Hermes then read the text which had been prepared in a consultation with M. Stecki, as follows :

Paragraph 1 :

"The increase of agricultural production is intimately bound up with the organisation of agricultural credit, which will place at the disposal of agriculturists the capital necessary on favourable terms."

The paragraph was adopted.

Paragraph 2 :

"Certain countries have at their disposal sufficient credit for agriculture, but in many countries agricultural credit has not as yet been adequately provided for, either because savings have been reduced by the general economic conditions or because the appropriate organisations have not yet been constituted."

The paragraph was adopted.

Paragraph 3 :

"Such a position is seriously harmful to agriculture in the countries in question, since it prevents agriculturists from increasing their harvests, from exploiting their land to the full extent, from securing lower costs of production and from providing for contingencies arising from the very nature of agricultural production by the use of suitable equipment or of a reserve working capital."

The object of this paragraph was to point out that shortage of capital frequently prevented agriculturists from producing large enough crops and from carrying out the necessary improvements. It had also been thought that the resolution should take into consideration contingencies due not only to weather conditions but to any other cause whatsoever.

Paragraph 3 was adopted.

Paragraph 4 :

"The first condition for surmounting these difficulties is the organisation of suitable credit institutions in those countries where they do not as yet exist and their development where they are already in existence. The best form of institution appears to be the co-operative credit society operating by means of resources which the society has itself been able to procure and to increase with or without the assistance of the public authorities."

Dr. Hermes said that the words "with or without the assistance of the public authorities" had been added to show that the object was to have recourse not to the Governments alone and that the purpose was not only to create organisations in places where

they did not exist, but to develop already existing ones.

Paragraph 4 was adopted.

Paragraph 5 :

"It is, moreover, by the co-operation of national organisations that the necessary effective guarantees for appeals for credit, whether national or international, can be most easily procured."

M. Restrepo (Colombia) suggested that allusion should be made in the paragraph to the official banks set up by Governments.

Dr. Hermes (Germany), Rapporteur, replied that the resolution could not go into details. It must be confined to a general formula and should be restricted to recommending the organisation of suitable credit institutions, which would be State institutions, private institutions, or a combination of the two according to the requirements of the different countries.

M. Restrepo (Colombia) pointed out that this was not a question of detail. The danger of remaining too far inside the bounds of generality was that one might fall into the abstract. Apart from co-operative credits and individual credits, the resolution should adumbrate Government credits.

In Colombia, for instance, there was a land mortgage bank. Why should not the bigger countries found a land mortgage bank to help agriculture ? An indication on a matter of detail of this kind would not be without value.

Dr. Hermes (Germany), Rapporteur, felt bound to uphold the general formula on which agreement had been obtained. Each country must be left to select the institutions which it thought the most suitable for the object in view.

The Chairman said that the observations offered by M. Restrepo would appear in the Minutes.

The text submitted by the Sub-Committee was adopted.

Dr. Hermes (Germany), Rapporteur, then read out the following text, which reproduced practically *in toto* the draft resolution submitted by the Sub-Committee :

"Having had laid before it by several of its members schemes with regard to the setting up of an international organisation capable of increasing the resources available for agricultural credits where they are as yet insufficient ;

"But having heard observations on that question arising out of the fundamental consideration that credit must be based on effective guarantees ;

"And being aware of the fact that the International Institute of Agriculture is collecting special information on the question of agricultural credits :

"The Conference requests the League of Nations fully to consider the documentation of the International Institute of Agriculture with a view to examining the possibility of international collaboration in respect of agricultural credits in whatever form may be found from experience to be most useful and with a view to promoting the recovery of agriculture where agriculture is short of capital." ¹

The above resolution was adopted.

The Committee rose at 12.30 p.m.

¹ The final text of the resolutions is found in the Report of the Conference, Vol. I.

SIXTH MEETING

Held on Monday, May 16th, 1927, at 5 p.m.

Chairman: Dr. O. FRANGESCH (Kingdom of the Serbs, Croats and Slovenes).

EXAMINATION OF THE DRAFT RESOLUTIONS OF THE SUB-COMMITTEES *(continued)*.

General Questions¹.

Dr. Hermes (Rapporteur) stated that the Drafting Committee had done its best to take account in the resolution presented of all the suggestions and propositions made.

He suggested that they adopt the same method of discussion as at the last meeting.

This was agreed to.

He then read the five first paragraphs, *which were adopted without any observations.*

The Rapporteur then read the following paragraph:

"The economic depression of agriculture is characterised by the disequilibrium which has arisen between the price of agricultural products and that of manufactured products; its result has been that agriculturists in a certain number of countries no longer receive a sufficient return on their labour and capital; it is aggravated in many countries by the difficulty of obtaining credit on normal terms, by the great increase in fiscal and social charges; it has led to a decrease in the purchasing power of agriculturists without consumers having in all cases benefited by a fall in the price of foodstuffs."

He proposed to replace the words "in a certain number of countries" by "a large number of countries" as more emphatic.

M. Weber (Switzerland) proposed the deletion of the words "by the great increase in fiscal and social charges". He thought that, far from aggravating the agricultural situation, social charges increased the buying power of the working classes.

In his opinion, there was a contradiction between this passage and a phrase further down in the text which said that agriculturists and industrialists alike should benefit by social legislation. Such legislation could not be carried on without the indispensable financial support.

Dr. Hermes (Rapporteur) pointed out that the agricultural crisis had certainly been aggravated in many countries by fiscal and social charges. This had been the object of discussion at another meeting. Indisputable figures had been quoted. Agriculturists had always wished to give agricultural labourers the benefit of social legislation. This is what the Drafting Committee had expressed in the resolution. On the one hand, there had been a statement of fact, on the other a statement of principle.

M. Lovink (Netherlands) agreed with the Rapporteur on the question of the increase of fiscal and social charges, but why had not the increased cost of labour, for example, been mentioned?

¹ This resolution will be found at the end of the "Summary of Proceedings of Sub-Committee I". See page 293.

Dr. Hermes (Rapporteur) said that the Committee had wished to indicate principally the heaviest expenses which had aggravated the agricultural crisis most seriously. As regarded labour, there had been a divergence of opinion.

M. Restrepo (Colombia) did not think that agricultural depression had been caused by heavier fiscal charges. On the contrary, landed property, generally speaking, was not sufficiently taxed. Wealth was derived not from the soil alone, but from human labour. He would have liked to see a reversion to the economic principle of the single tax, especially in the case of landlords who received rents for their land without adding to its productivity. He agreed with M. Weber on the deletion of the phrase regarding the fiscal charges. The present crisis had arisen from the fact that everywhere agriculture had been boycotted by industrialism. The Conference should not make the same mistake.

Dr. Hermes (Rapporteur) answered that there had been no question of discussing social laws. It was solely a question of facts. Besides, he pointed out that in the draft, they had been careful to ask that social laws, assuring the well-being and the security of the workers, should apply to agricultural labourers as well as to the employees and workers in industry. The situation was therefore perfectly clear.

M. Lovink (Netherlands) proposed to add after the words "fiscal and social charges" the words "and other expenses".

The text was adopted as presented by the Rapporteur with four dissentients.

Dr. Hermes (Rapporteur) read paragraphs 7 and 8.

M. Varga (U.S.S.R.) raised questions relating to various paragraphs, notably with regard to the diminution of purchasing power, the division of the land and the position of the workers.

Dr. Hermes (Rapporteur), replying to these observations, said that, according to M. Varga, it was not the decrease in purchasing power of the agriculturist which had brought about the crisis but the contrary. He reminded M. Varga that he had himself declared that theoretical discussion would unduly prolong the debate.

As regarded the question of the distribution of land, it had been pointed out in the draft resolution that the documentation on this point was insufficient, and the Committee had suggested that the Governments should be invited to make a thorough investigation of the question in its economic, financial and social aspects. M. Varga had also complained that work was always being considered but never the workers. Dr. Hermes replied that the text referred to the diminution of the purchasing power not of the "agriculturists" but of the "agricultural population". Further, in another paragraph, reference was made to "all those engaged in agriculture". No one thought

of contesting the great importance of the place occupied by agricultural workers, whose interests the Committee was seeking to further.

This paragraph was adopted.

Paragraphs 10, 11 and 12 were adopted.

Dr. Hermes (Rapporteur) read paragraph 13 :

"Owing to the considerable number of small and medium-sized enterprises in agriculture — in which the tendency towards the concentration of enterprises which has displayed itself in industry is absent — the organisation of agriculturists will have to be pursued according to the methods of association and co-operation which have already been tested in numerous countries ; it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies."

M. Schuster (U.S.S.R.) proposed to insert in this paragraph after the word "organisation" the words "according to social classes (workers, small and large land-owners)".

M. Weber (Switzerland) seconded the motion.
The amendment was rejected.
The text as proposed by the Committee was adopted.

Dr. Hermes (Rapporteur) read paragraph 14, which was adopted.

He then read paragraph 15.

M. Schuster (U.S.S.R.) proposed the insertion, at the end of the paragraph, of the words "with the reserve that it be adapted to the special demands of agriculture and to the peculiar conditions of life and work of the rural population".

This amendment was rejected and the paragraph was adopted as it stood.

Paragraphs 16 and 17 were adopted.

Dr. Hermes read the following paragraph :

"In countries in which Customs protection is maintained, it should be reduced both for industry and agriculture to the lowest possible point indispensable to production ; care should be taken to assist in the maintenance of an equitable equilibrium between industry and agriculture and not to stifle one to the advantage of the other."

He pointed out that there was an error in the French translation of this paragraph, which he corrected.

Paragraphs 18 to 25 were adopted without amendment.

Paragraph 26 :

"It is therefore recommended that a committee of experts be established charged with the thorough study of the requisite measures"

was then read.

Mr. Varley (British Empire) pointed out that the paragraph under discussion did not state whether the recommendation was to the League of Nations or to the various Governments concerned. He thought it wiser to indicate whether the suggested committee was to be national or international in character and by whom it should be convened.

Dr. Hermes (Rapporteur) replied that, as the whole resolution was to be submitted to the League of Nations, it had not appeared necessary to state so expressly in this case.

Mr. Varley (British Empire) wanted to know if it was desired that the League of Nations should set up a special committee.

Dr. Hermes (Rapporteur) replied in the affirmative.

Mr. Enfield (British Empire) had understood that they were to leave it to the discretion of the League of Nations to designate the organisation which was to form this committee — the International Institute of Agriculture in Rome or any other body.

Dr. Hermes agreed.

The paragraph was adopted.

Paragraphs 27 to 32 were adopted.

Dr. Hermes read paragraph 28 :

"International agreements, which establish sanitary supervision, if they provide the contracting countries with adequate guarantees, may, without infringing sovereign rights, purge the regulations of any suspicion of disguised protection, and should add to the stability of trade relations, which is one of the conditions of successful production."

M. Stecki (Poland) proposed that the word "could" be replaced by "should". He would not feel justified in accepting the text proposed without this amendment.

M. Lovink (Netherlands) agreed that Government action should be taken for the prevention of diseases in plants and live-stock, but it must be clearly understood that these measures be taken in accord with the latest scientific development. He agreed with M. Stecki's amendment.

Mr. Hobson (U.S.A.) seconded the motion.

The modification was adopted and the paragraph carried.

Dr. Hermes (Rapporteur) read paragraph 34 :

"The Conference recommends that an investigation be made into the best means of encouraging native agriculture in colonies and especially in tropical and subtropical colonies, in order to augment the prosperity of the natives and to increase the general wealth."

He proposed to replace the word "indigènes" in the French text with the words "habitants de ces régions".

M. Gautier (France) observed that the words "inhabitants of these regions" had not the same meaning. If they had used the former term, it was precisely to protect the coloured population. The expression "inhabitants of these regions" was not precise enough. Consequently, he proposed to keep the word "indigènes" in the paragraph under discussion.

M. Gautier's proposition was accepted.

M. Varga (U.S.S.R.) read the following declaration :

"The delegation of the U.S.S.R. will vote for the technical sections of the resolution, the scientific fighting of diseases of plants and animals, farm accountancy, statistics and investigations. They will vote against the general section because it is in contradiction with the point of view of the U.S.S.R. and because, without the modifications proposed by them, the interests of the labourers and peasants were not protected in the project of the resolution. They will also vote against the last paragraph because the system of colonies was in itself in formal contradiction with the 'well-being of the native' "

The Chairman noted M. Varga's declaration, which would be inserted in the Minutes.

Paragraph 34 was adopted without modifications.

Dr. Hermes (Rapporteur) read the last paragraph:

"The Conference recommends that a special study should be made of the resources and the exploitation of forests in order to assure the regular satisfaction of the needs of industry."

This paragraph was adopted without observations.

M. Weber (Switzerland) considered that the draft resolution contained good suggestions. For this reason he would not vote against its adoption, but he wished, nevertheless, to make the following observations:

"1. The increase of social charges cannot aggravate agricultural depression, because social legislation leads either to direct increase of workers' output or an increase and stabilisation of the purchasing power of the working-classes.

"2. Customs protection cannot constitute an advantage for the agriculture of the world, considering that the Customs tariffs which protect agriculture in one country injure the agriculture of another country. On the other hand, they raise the cost of living and consequently diminish the purchasing power of other classes of the population and place industry in a more difficult position.

"3. The resolution does not take into consideration the extremely important problem of the cost of land — that is to say, the question of rent."

He did not think that was the time to open a debate on the latter question. He was convinced that the capitalist system could not solve the problem absolutely, and he observed that nearly all the advantages obtained for agriculture by means of Customs tariffs, subsidies and other measures of agricultural policy followed by different countries had resulted in a rise of the cost of land. It was to be noted that the improvement in credit and the work of the co-operative organisations had had the same result, and that within a few years the advantages gained were absorbed by the price of land. He proposed to express the opinion of the workers' representatives on these points in the plenary meeting of the Conference.

The Chairman noted M. Weber's observations, which would be inserted in the Minutes.

M. Duzmans (Latvia) wished to make an observation on the general drafting of the proposed resolutions. In order to avoid all risk of false interpretation, it would be wiser to suppress

in the text of the proposed resolution all the lines separating the different paragraphs, so that it should be quite plain that they were all attached to the proposal made at the beginning, i.e.: "The Conference calls the attention of the League of Nations...."

Dr. Hermes (Rapporteur) answered that this was a mere question of presentment and would be taken into consideration.

M. H. Five (Norway) said he would like to make one brief remark before the resolution was taken. He was one of those who much regretted that they had been unable to agree unanimously to a resolution more clearly stating the advantage to agriculture of a reduction in industrial protection. He wished to emphasise the fact that, as he understood it, all the members of the Committee but one would have preferred a resolution recognising this principle and recommending the progressive reduction of industrial protection as an aid to agriculture. He recognised, however, the value of the spirit of conciliation which had induced the members to agree to the change which was embodied in the present resolution, thus securing unanimity in their resolution on this point, as they had tried to do on other points; and for this reason, as an expression of his desire to meet the wishes of his American colleague, he would vote for the resolution in its present form.

The resolution as a whole was put to the vote and adopted.

The Chairman made the following closing speech:

"Gentlemen, in adopting these last resolutions, we have accomplished, for the present at least, the task which was entrusted to us at the plenary sitting of the Economic Conference. This task was not easy, but I can say that, thanks to your work, we have finished it successfully. All the members of this Committee have brought here the results of the experience of a lifetime; they have showed us faithfully the present state of national economy in each country. In many cases they have supported it with detailed reports, the fruit of studious work and worthy of the highest esteem.

"It would really be a great pity if the work here conceived should not be successfully carried out. In a great number of resolutions, our Committee has turned toward the League of Nations to ask for the means or realising these resolutions, so that the work and the study already begun may extend over the whole world and thus assure the continuation of the work undertaken by the Economic Conference.

"I hope that the League of Nations will accept our propositions and that on every side they will complete the action of the International Agricultural Institute at Rome, on whose fruitful work we can all count for statistical and scientific information. We also hope that the International Agricultural Committee in Paris will continue to pursue, as it has done up to now so brilliantly, the preparation of the International Agriculture Congress and the centralisation of all the co-operative organisations and independent agricultural associations.

"If the League of Nations will consent to undertake the study of the questions proposed by our Committee, I am sure that there lies the guarantee for a work of constructive collaboration destined to bear the best fruits in all branches of agriculture.

"If this Conference succeeds in assuring the continuation of its work, I think that that alone would be a success which will fully justify the initiative and the convocation of the Conference. Thanks to you, a great number of problems have been raised which are of great importance for the whole world. Thanks to the care of our Chairmen of Sub-Committees, MM. Gautier, Stecki, Klindera, and especially the Rapporteurs, Dr. Hermes and M. Porchet, and the other members of the Drafting Committees, we have been able to come to unanimous conclusions representing the synthesis of all the speeches and all the propositions made. Not only that which has been expressly stated, but also the logical "sous-entendu" which can be read between the lines may serve as a basis and an introduction for future work of all peoples and all nations' regarding rural economy, and without boasting we may say that no future historian whose task would be to expose the state of civilisation and economic progress of our epoch could neglect our Conference. I think, Gentlemen, that you may all be satisfied with this result, and in this feeling of satisfaction I wish you all a happy return to your different countries, while expressing the hope that we shall meet again at some future date.

M. Louis Dop, in the name of the International Institute of Agriculture at Rome, recalled, first, that the International Institute of Agriculture numbered seventy-four nations among its adherents, and that consequently it really

constituted a universal defensive organisation for the interests of agriculture.

He thanked the Chairman of the Committee for the remarkable results which had been obtained and congratulated the Rapporteur, whose competence and whose qualities were specially known to him, as he had been head of a department at the International Institute of Agriculture.

He also desired to thank the Chairman of the Committee for his kind allusion to the work carried out by the International Institute of Agriculture. He called to mind that, according to the Convention of June 7th, 1905, the province of the Institute was extremely wide as regarded agricultural problems, either statistics or social or technical questions. The Institute was also able to make international agreements in all questions concerning agriculture. The Committee must realise that the International Institute of Agriculture was particularly designated to collaborate with the Conference and it would work most cordially with any experts who might be appointed ; and this with the full rights which it enjoyed in virtue of the Convention of 1905.

He thanked the Chairman again and congratulated him on the results obtained, as well as all those who had contributed to the carrying of conclusions which would remain historic.

Note. — The definitive text of the resolutions is given in Vol. I, of the Report of the Conference.

**SUMMARY OF PROCEEDINGS OF THE SUB-COMMITTEES
OF THE THIRD COMMITTEE¹**

¹ See Editorial note, page 2.

THIRD COMMITTEE (AGRICULTURE)

Summary of Proceedings of Sub-Committee 1 (General Affairs)

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Third Committee (Agriculture)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 1 (GENERAL AFFAIRS)

1. INTRODUCTION.

To this Sub-Committee fell the drafting of a resolution which should cover all the agricultural questions before the Conference with the exception of co-operation and credit, which were entrusted respectively to Sub-Committees 2 and 3.

The Committee held four meetings, two on May 11th, 1927, at 10.30 a.m. and 3 p.m., one on May 12th 1927, at 10.30 a.m., and after an interval in which the Drafting Committee appointed by the Sub-Committee had examined the various propositions put forward, one on May 14th at 4 p.m., to approve the final draft.

The Sub-Committee was constituted as follows¹:

Chairman : M. GAUTIER (France).

Vice-Chairman : M. RESTREPO (Colombia).

Members and Experts :

AUSTRIA

M. R. COLLOREDO-MANNSFELD [E].

BELGIUM

M. LAMBERT [E].
M. G. MULLIE [E].
M. van den BROECK.

BRAZIL

M. Deoclecio DE CAMPOS.

CANADA

Mr. W. A. WILSON.

CZECHOSLOVAKIA

Dr. F. LENFELD [E].
M. C. MEČÍŘ [E].
M. Kornel STODOLA.

DENMARK

M. E. D. COHN [E].
M. Chr. SONNE.

FRANCE

M. AUGÉ-LARIBÉ [E].

GERMANY

Dr. KEISER [E].
Count R. KEYSERLINGK [E].
Professor Max SERING [E].

GREAT BRITAIN

Mr. J. R. BELLERBY [E].

GREECE

M. Aristote SIDERIS.

HUNGARY

Count Ladislas SOMSSICH.

INDIA

Dr. L. K. HYDER.
Mr. H. A. F. LINDSAY [E].

IRISH FREE STATE

Mr. Michael MACWHITE.

JAPAN

M. Kwanji SATO

POLAND

M. Jerzy GOSCICKI [E].
M. Esden TEMPSKI [E].
M. PONIATOWSKI [E].

PORTUGAL

M. Jorge Botelho MONIZ.

ROUMANIA

M. Emile MARIAN [E].

SWEDEN

M. HÖLJER [E].

U.S.A.

Mr. Asher HOBSON [E].
Mr. Alonzo E. TAYLOR.

International Institute of Agriculture :

M. Louis DOP.

The Chairman, in opening the proceedings, suggested that the Committee should use as a basis for discussion the draft resolution which he had submitted to the plenary meeting of the Agricultural Committee on Tuesday, May 10th. (The text of this resolution is given on p. 193 in the Minutes of the fourth meeting of the Committee). That resolution would have to be co-ordinated in certain respects with conclusions reached in the Committees on Commerce and on Industry.

¹ The letter (E) denotes that the persons indicated were attached to their delegations in the quality of experts.

2. GENERAL POSITION.

LARGE AND SMALL HOLDINGS.

Baron Tibbaut (Belgium), in approving the draft resolution before the Committee, put in the following statement amplifying it in certain respects :

"In order to free agriculture from its internal difficulties, it is important to enlighten public opinion, which does not always realise the true situation, but regards agriculture as a secondary industry whose function is to feed the people even if it works at a loss. A useful method of instruction would be the publication at regular intervals of comparative indices of the prices of agricultural and industrial products.

"It is also specially desirable that agriculture should be enabled to develop in countries whose rural areas are thickly populated, and where the existence of the population is conditional upon intensive and specialised cultivation. Agriculture must follow the laws of economic production, so as to obtain the greatest possible yield per hectare, and to enable, by conversion, more food to be obtained than could be directly produced. It thus becomes an industry of transformation, and it should be possible for the raw materials to be freely bought and for the finished products to be freely re-sold.

"Every external barrier which closes or narrows the foreign market holds back the process of development.

"This development, which enables a greater population to be supported on the same area of land, presupposes easy access to medium-sized and small properties, and involves also the formation of modest family estates, the retention of which in the family should be encouraged by fiscal legislation and by the laws governing inheritance."

In support of this proposal, he instanced the case of Belgium, Denmark and Norway, which produced certain special foodstuffs which they exported in order to obtain the raw materials and the cereals necessary for their populations.

Baron Tibbaut also put forward a statement on the social advantages resulting from the contact of the industrial population with the land, by means of gardens, allotments, etc.

The question of access to the land raised in the last paragraph of M. Tibbaut's statement was also dealt with by M. Frangesch (Kingdom of the Serbs, Croats and Slovenes) and Count Somssich (Hungary), while many speakers, including M. Fougère (France) and M. Danailoff (Bulgaria), stressed the importance of improving the standard of living of the agricultural population.

M. Frangesch considered that the movement of agrarian reform had been in many respects justified. He said that small and middle-sized holdings constituted so many small economic units producing more per hectare than large properties ; on the other hand, the big landed proprietor could produce more cheaply and build up a surplus of the cereals necessary for feeding the population of towns. The dividing-up of large well-organised and properly worked holdings was not without danger, especially as it might deprive the community of model enterprises. A certain balance should be maintained between the large and small holdings, especially in the lesser-developed agricultural States, where large holdings supplied a real public want. In any case, it was an actual

fact that the introduction of agrarian reform had resulted in lowering the exports of cereals in Bulgaria, Hungary and Roumania. It could therefore be argued that economic depression in those States was due partly to the agrarian reform.

M. Somssich (Hungary) instanced certain cases in which agrarian reform had produced a decrease in production, owing to the lack of credit and the lack of modern methods.

Training schools were required for small holders.

3. CO-ORDINATION BETWEEN THE THREE COMMITTEES OF THE CONFERENCE.

M. Loucheur (France), who attended the meeting of the Committee in the interest of securing co-ordination between the three Committees of the Conference, pointed out the absolute solidarity and interdependence of agriculture and industry. One must not lose sight of the main problem of increasing output and power at the same time. If it was desired to increase purchasing power, then proper prices must be secured to agriculturists. He considered that industrialism had gone too fast in some countries. Industry must not develop at the expense of agriculture. France's recovery after the war was due to the fact that she had kept a certain proportion between agriculture and manufactures. He would like to see the Committees agree on the balance between agriculture and industry.

4. EXCHANGE OF AGRICULTURAL AND OTHER PRODUCTS.

M. Sonne (Denmark) and Mr. Bellerby (British Empire) emphasised the importance of free trade in agricultural products. M. Sonne thought that the speech of M. de Vogüé delivered before the plenary Conference on May 7th might form the basis of further resolutions.

He submitted various amendments to the draft proposals of the Chairman. He desired that the paragraph on Customs protection should read as follows :

"As to Customs protection, it is considered desirable that every obstacle to the free movement of agricultural produce should be removed so far as this can be done without endangering the vital interests of any country or of her workers. It must be considered impossible for the present to abolish tariffs altogether, but it is recommended to aim at bringing them down to a level corresponding to fiscal necessities or limits representing a slight protection of national products only."

He proposed that the first sentence of the eleventh paragraph should read :

"The system of export prohibitions and export duties should be finally abandoned."

Mr. Bellerby said that there were two ways of remedying the difference between the prices of agricultural and industrial products ; to accord the same degree of protection to agricultural as to industrial products, or to increase the production of, and trade in, agricultural products. The former would be only a partial solution in favour of the countries importing agricultural produce ; the lowering of tariffs should be recommended.

Dr. L. K. Hyder (India) referred to certain inconsistencies in the draft resolutions submitted

by M. Gautier at the fourth plenary meeting. It was impossible to shut the door on the recruiting of agricultural workers for industry. Also, it was not possible to return to the policy of regulating the price of agricultural products. Protection followed by Customs duties constituted one of the principal causes of the instability of prices.

M. Goscicki (Poland) was not absolutely convinced of the necessity of protective tariffs, but in this respect agriculture must be on the same footing as industry.

M. Moniz (Portugal) pointed out that a country which was prevented by tariff barriers from exporting its produce was obliged to produce in its own territory under unfavourable conditions and to protect that production by erecting tariff barriers in its turn. He therefore proposed :

(1) That agricultural production should be developed in those countries best adapted in the different branches of production ;

(2) That different brands of products should be protected in all countries alike on a uniform basis ;

(3) The progressive reduction of tariff barriers ;

(4) That free trade should be considered as a whole ; that it should be everywhere accepted so that each country derive equal benefit from it ;

(5) That, on the wage question, the Committee should proceed with the greatest prudence, taking into account the differing conditions of different countries.

The Chairman said that nobody was an absolute partisan of free trade or protectionism. The agriculturists asked to be protected only because the industrial population was protected, as otherwise industrial protection resulted in labour being drawn towards industry away from the land.

5. ORGANISATION, STANDARDISATION, GRADING, ASSOCIATION OF PRODUCERS.

• Dr. L. K. Hyder (India) insisted on the importance of maintaining production, and on the necessity of technical improvements, of better organisation and also of the standardisation and grading of produce with a view to more efficient system of marketing and submitted the following draft :

"The Agricultural Committee :

"Recognising the importance of agriculture as an industry which engages the majority of the human race in producing essential foodstuffs and raw materials ;

"Conscious of the fact that the sum total of goods created by agriculture far exceeds in value that of goods created by other industries ;

"Convinced that the wealth of mankind is solely dependent on the greatest possible productive effort devoted with the least possible waste to the satisfaction of human requirements ;

"Observing that the rate at which agricultural produce is exchanged against manufactured commodities has been since the war, and still is, unfavourable to the agriculturist on account of causes chiefly connected with commerce and industry ;

"Fearing that, unless practical measures are taken to redress this disequilibrium, the inevitable consequences sooner or later will be that agriculture will fail to yield a profit

and that agricultural production will decrease with reactions harmful to the welfare of mankind ;

"Recommends to the plenary session of the International Economic Conference that, so far as agriculture is concerned, attention should be concentrated on measures which will tend to increase the profit to the producer while avoiding increase of price to the consumer ;

"Recommends that in pursuance of this object such measures be taken as will tend to diminish costs of production and to eliminate unnecessary links in the chain which connects the primary producer with the ultimate consumer : for example, by the development of co-operation in all its forms both national and international, by the furtherance of international agreements to combat the spread of plant and animal diseases ; by the standardisation and grading of produce, and by international action for the preparation and publication of agricultural statistics on uniform and systematic lines ;

"And firmly believing that agriculture, industry and commerce are indissolubly connected with each other and share a common destiny, expresses its whole hearted approval of all measures which aim at removing obstacles to the interchange of goods, at increasing efficiency of production, and thus at stimulating the demands of each of these three partners for the products and services of the others."

M. Moniz (Portugal) deposited on behalf of the Italian and Portuguese delegations the following proposal with regard to association :

"In view of the necessity of an *entente* among agriculturists to study the requirements and the amelioration of agricultural production and profits, the Committee considers that the most practical method of obtaining these objects is the syndicalisation of agricultural producers in each country."

M. Krolikowski (Poland) said that uniformity both in the terminology of agricultural products and in systems of grading would facilitate trade and simplify arbitration proceedings. The question was important for stock-raising as well as for the products of the soil. On behalf of the Polish delegation, he submitted the two following propositions :

"The International Economic Conference recommends, with a view to promoting international trade, that an international economic organisation such as the International Institute of Agriculture at Rome should frame draft international standardisation rules for the trade in agricultural commodities in general and foodstuffs in particular. The application of these rules and of the nomenclature contained therein might form the subject of an international convention."

"The International Economic Conference considers that the work of the International Institute of Agriculture at Rome should be extended to cover research work into trade cycles in the case of agricultural products, and that the results of this work should be published at regular intervals."

Mr. Bellerby (British Empire) submitted a draft resolution modifying certain passages in the draft of the Chairman. The changes suggested were as follows :

"This Conference recognises that there exists a wide spread depression in agriculture differing

in severity between one country and another, but affecting a large number of countries upon which the world's supplies of food and raw materials depend.

"The improvement in agricultural economy must be first an improvement in the work of the agriculturists themselves. The general adoption of better technical methods, the scientific organisation of production, sale and marketing of goods, of credit and insurance, will enable them to reduce their cost prices in their own interests and to the benefit of consumers.

[Here insert paragraphs dealing with credit, co-operation, orderly marketing, standardisation grading, statistics, and other information based upon the reports of the Sub-Committees.]

"The foregoing measures have for their main purpose the improvement of agricultural technique. Whatever success may attend these efforts, however, they cannot ensure the full recovery of agricultural prosperity. The welfare of agriculture is intimately bound up with that of industry and commerce, since, in the last resort, the power of the community to purchase the products of agriculture depends on the wealth created by industrial and commercial activity. An expansion of industrial production (with the lower costs of industrial commodities which should accompany it) is indispensable to an agricultural revival and to the restoration of equilibrium between the prices of agricultural and industrial produce. In these circumstances, the removal of impediments to the free development of industry and to the international exchange of all products is vital to the welfare of agriculture."

6. STABILISATION OF PRICES.

M. Höljer (Sweden) submitted the following criticism of the draft resolution in regard to the equilibrium of prices :

"In the proposed draft, an organisation is recommended to stabilise the prices of agricultural products. If this proposition is treated according to its strict wording, it seems, however, to be somewhat dangerous and can easily be taken as a pretext for endeavours which do not agree with the economic laws of demand and supply. In cases of a failure of crops, prices go up and reduce consumption, and in this way they prevent a premature total want of foodstuffs. In the same way, in cases of abundant food supply, prices go down and thereby cause an increased consumption. Neither agriculture nor any other industry can disregard this role of prices.

"However, we do not deny that some of the measures proposed to stabilise prices are useful to agriculture, inasmuch as they prevent too sudden changes on the food market. Such an important measure would be the extension of markets of various kinds of food. As long as prices are determined by demand and supply within a local market, they are necessarily subject to great changes, but the effects of a bad crop in one part of the world are generally counterbalanced by a better crop somewhere else. The more the market is extended, the more scope is given to the regulating forces.

"With this in view, it seems rather unsuitable to recommend tariffs as a means of diminishing the extreme instability of prices, seeing that

Customs tariffs are a strong obstacle to the extension of markets.

"Instead, it would be advisable that this Conference should express its opinion that food tariffs, because they impede the extension of markets, form an obstacle to that stabilisation of prices which is to be desired."

7. EDUCATION.

Dr. Kwanji Sato (Japan) referred to the primary importance of agricultural education. Japan possessed 300 agricultural schools, several thousand post-school establishments, and forty agricultural experimental stations. In addition, there was an agricultural club in each village. He thought it would be useful to ask the International Institute of Agriculture to make a comparative investigation into the instruction in agriculture given in the large countries of the world.

M. Five (Norway) believed that the interdependence of agriculture and the other categories of production should be affirmed and that a raising of the intellectual level of the agricultural population should be laid down as a fundamental condition of economic reconstruction. He suggested that a formula might be found to express the importance of raising the level of the farmers' general education, giving them a solid basis for the better acquirement of agricultural science in order to secure more economic production.

8. STATISTICAL MATERIAL REQUIRED.

Mr. Asher Hobson (United States of America) laid before the Committee the following proposition relative to the statistical data required for the proper appreciation of the position of agriculture :

"Agricultural progress depends, to an important degree, upon an accurate knowledge of its resources. The most reliable method of collecting such information is by means of an actual census enumeration. An agricultural census is an inventory of such factors as land area, crop acreage, harvest, yield, number and kind of live-stock, amount of mechanical power and equipment, and available human labour.

"The importance of obtaining a more complete and certain knowledge of the agricultural situation is generally recognised. Nevertheless, a number of countries do not take an agricultural census. Among those countries which take a census, there is no uniformity in dates, methods or schedules.

"Information collected by the International Institute of Agriculture indicates that only 37 countries have taken an agricultural census during the past twenty-five years. These countries represent less than half the land area, and about 30 per cent of the population of the world.

"Moreover, the difference in dates and methods employed in the different countries taking agricultural censuses seriously limits the international value of the data obtained.

"The absence of an agricultural census in many countries, together with lack of uniformity of the existing census data, has led the International Institute of Agriculture to initiate steps designed to promote the taking of an agricultural census in all countries in 1930 on the basis of a uniform plan. To this end the Institute has held two international conferences of agricultural statisticians for the

purpose of formulating uniform schedules. The Institute is now engaged in attempting to induce the Governments of the world to co-operate and participate in this undertaking.

"In order to promote the extension and accuracy of agricultural statistical knowledge, the Committee recommends that:

"(A) In consideration of the value of worldwide statistical data relating to agricultural production in marketing and planning future production, and since accurate enumerations for area and production of crops and numbers of live-stock are necessary as a basis for accurate annual estimates of production, the International Economic Conference endorses the world agricultural census project of the International Institute of Agriculture, which contemplates the taking on a uniform schedule of a simultaneous census in all countries in 1930, and urges all Governments to formulate plans for the taking of a standard agricultural census at stated periods thereafter.

"(B) The Conference recommends that, since statistical data as to stocks and consumption are very significant in determining prices and are of great importance in the distribution of stable agricultural commodities throughout the world, the International Economic Conference should ask some competent agency to undertake to develop adequate statistics of, and urge all countries to co-operate in the reporting of, stocks and consumption of basic agricultural commodities.

"(C) In view of the importance of having comparable data concerning economic conditions of agriculture in the several countries of the world, all countries are urged to collect accurate data as to prices producers receive, costs or expenses of production and income from agriculture. In order that comparable data may be collected in different countries, it is suggested that the International Economic Conference request the International Institute of Agriculture to arrange in the near future for an international conference for agricultural statisticians to consider standard methods for:

"(a) Collecting, compiling and presenting information respecting prices, cost or expense of production, and income; and

"(b) Constructing comparable statistical series and indices of production, prices, wages, trade, income and purchasing power of agricultural producers.

"(D) Inasmuch as certain of our agricultural problems are due to difficulties involved in adjusting production to demand, it is suggested that the International Economic Conference consider the feasibility of having some competent agency issue an annual statement of the production of and demand for products, to provide annually a basis for more intelligent action on the part of both producers and distributors of agricultural products with a view to exerting a stabilising influence on the agricultural industry of the world."

M. Keiser (Germany) submitted a text drafted by a Special Sub-Committee¹ on the statistics of animal production as follows:

¹ This Committee was constituted as follows: M. COHN (Denmark), M. MÜLLIE (Belgium), M. BOVRATEK (Poland), M. MARIAN (Roumania), Dr. MAYER (Czechoslovakia), Dr. HIETEL (Austria), M. COLLOREDO-MANNFELD (Austria).

"The Committee on Agriculture draws the special attention of the Conference to the very great importance to agriculture, from the economic point of view, of stock-raising, both with a view to the maintenance of the labour employed and to the well-being not only of agriculturists but also of industrial workers and small-holders.

"In a great many countries, animal-breeding is the only means of economically utilising the greater part of the produce of the soil; moreover, it provides the essential basis for the intensive cultivation of cereals and root crops.

"The revenue from stock-raising and the raw materials with which it supplies industry form an essential part of agricultural economy. The raising of domestic animals provides one of the best means of bringing about an improvement in the standard of living. The purchasing power of a large proportion of the world's population depends on the extent and activity of the stock-raising industry.

"Further, in view of its importance for the general economic life of the world, this branch of the agricultural industry deserves careful attention in the economic discussion in the League of Nations.

"In view of the foregoing and of the obstacles to securing an exact knowledge of the position and development of stock-raising and the trade in animal products in different countries because of the general lack of comparable economic and statistical data, the Agricultural Committee recommends that the enquiry and work proposed and undertaken by the International Institute at Rome, with a view to solving the problem set forth above, should be supported and encouraged by the League of Nations."

9. VETERINARY CONVENTION.

The Chairman read a proposal submitted by the Polish delegation to the Committees on Agriculture and Commerce. This proposal urged, in particular, the conclusion of veterinary conventions in commercial treaties, and contained an amendment to paragraph 3 of Article 4 of the draft International Convention on the Removal of Import and Export Restrictions and Prohibitions.

10. UTILISATION OF WASTE LAND.

M. Lovink (Netherlands) submitted a recommendation on the colonisation of waste lands, as follows:

"Whereas various countries have taken steps to clear waste land and divide it into agricultural holdings of an extent varying from 6 to 16 hectares,

"And whereas the continued formation of such small holdings would contribute to the prosperity of many small farmers and even labourers:

"The Economic Conference considers that the results of this plan of settlement, as regards its remunerativeness, the technical methods employed, and social conditions, should be investigated,

"And asks the Council of the League of Nations to enquire into the matter, with the possible assistance of the International Institute of Agriculture, and to report to the League of Nations on the results."

11. FARM ACCOUNTANCY.

Dr. Hermes (Germany), in reply to the Vice-Chairman, submitted a draft resolution on farm accountancy as follows :

"The fundamental importance of agriculture for the prosperity of nations demands an intimate knowledge of the economic situation of agriculture, and of all factors bearing on it. Such knowledge can only be gained satisfactorily through a methodical analysis of the profits and losses incurred in agriculture. In each individual country these researches would be most valuable in promoting the development of agricultural accountancy ; in other words, they would bring about a general improvement in agriculture. Further, if this work were carried through in a number of countries, the nations would better understand each other's economic difficulties and hindrances. A true and striking picture would thus be given of those points on which the interests of agriculturists in every country coincide. Furthermore, a better understanding would be created between the producer and the consumer.

"To achieve this purpose, we venture to submit to you the following proposals :

"(1) It would be well if each country made a thorough enquiry into the profit and loss accounts of agriculture, as a basis for agricultural statistics. The results of this enquiry should be analysed by classifying the documentation by regions (i.e. by districts forming an economic unit), by conditions of climate and soil, size of holdings, systems of working, or by the principal form of culture. The accounts themselves should be organised in each country in such a way as to ensure the greatest exactitude of documentation.

"(2) For comparison of the material submitted by different countries, a uniform system and uniform ideas on which the calculations are to be based must be established. The first point is to ensure an accurate account of all receipts and expenditure.

"(3) The first purpose of this profit-and-loss analysis would be to study the influence exercised on agricultural returns by the chief factors determining the economic and financial conditions of agriculture (e.g. wages, quantities of chemical fertilisers used, taxation and social charges, prices). A comparison of net returns would also be of great value.

"(4) For this purpose, we venture to suggest that the League of Nations, in collaboration with the International Institute of Agriculture at Rome, should set up a committee of experts to study and prepare the requisite measures."

12. DISEASES OF PLANTS. INTERNATIONAL ACTION.

M. Lovink (Netherlands) said the exchange of certain agricultural products entailed the possibility of the propagation of plant pests and parasites. It was nevertheless extremely important that the necessary precautions should not end in the adoption of measures which would in actual fact constitute a prohibition on the export of such products. The solution of this problem required close international co-operation and the drawing of a very clear distinction between the economic and the scientific side of the question. Science being international, an agreement could be concluded on scientific bases, thus avoiding the

inextricable confusion of the scientific and economic point of view. In this way, restrictions on the freedom of trade in plants would be limited to essential precautions. This had been the view adopted by the International Conference on Plant Pests held at Wageningen in the Netherlands from June 25th to 30th, 1923. M. Lovink submitted a draft resolution as follows :

"Whereas it is one of the main duties of Governments to protect their crops against the introduction of diseases of animal or vegetable origin ;

"And whereas preventive measures for this purpose should only be adopted if justified by the results of international scientific research, and should only be applied in accordance with such results :

"The Economic Conference asks the League of Nations to draw the special attention of the Agricultural Institute at Rome to the consideration of these questions."

13. FOOD VALUES.

M. Colloredo-Mannsfeld (Austria) emphasised the importance of investigating the nutritive value of the foods ordinarily consumed in different countries, and submitted the following proposal, which he supported by a brief memorandum on the subject by Dr. L. Berczeller :

"In order to provide a basis for the development of agricultural production on lines most conducive to the general welfare, the Committee recommends that the League of Nations, in collaboration with the International Labour Office, the International Institute of Agriculture, and with experts in various countries, undertake an investigation into the nutritive values of the chief food commodities ordinarily consumed in the different countries."

The following is extracted from Dr. L. Berczeller's memorandum :

"... To strike a nutrition balance, the total turnover of foodstuffs must be converted into nutritional values (calories) taking into consideration the quantities of the three chief nutrition constituents (protein, fat, carbohydrates) contained in them. By the use and completion of the statistical material available and by calculating the nutrition requirements for an economic unit of area — starting from the actual, determined food consumption of sufficiently nourished classes of the population and reviewing the data in the light of the knowledge and experience of the nutrition physiologist — a proper judgment and criticism of the nutritional conditions may be formulated. This method, which can only be briefly outlined here, of elaborating the nutritional conditions of an economic region statistically¹ has been used by the writer for a statistical investigation of nutritional conditions in Austria. The results of this investigation very strongly suggest the importance of making similar calculations for other European countries, in order to reach a uniform basis of estimating European nutrition problems. The writer has, with the aid of his co-workers, almost completed these calculations

¹ See a more detailed description in the pamphlet: "Zur Ernährungstatistik," by L. BERCELLEER, H. WASTL and P. FRANKFURTER, Vienna, 1927.

for Austria. The amount of statistical work involved leads to the conclusion that analogous calculations for other economic regions is beyond the means and power of private persons without an adequate number of helpers and proper means. The work carried through for Austria provided the writer with a series of experiences and key-figures which could be conveniently used in the systematic calculation of nutrition-balances for other States”

14. FORESTRY.

Rechid Safvet Bey (Turkey) again emphasised the importance of including a resolution regarding an enquiry into questions of forestry.

15. INTERNATIONAL INSTITUTE OF AGRICULTURE

M. Louis Dop (Vice-President of the International Institute of Agriculture) expressed his approval of the principles embodied in the proposals suggested; the more so that these proposals were in accord, in spirit and sometimes in the letter, with the resolutions voted in Rome at the International Wheat Conference. These propositions were:

- (1) On the standardisation of wheat;
- (2) That agriculture should have the same regime as industry;
- (3) That the land worker be properly paid;
- (4) That international exchange be facilitated;
- (5) That agricultural associations be utilised;
- (6) That various organisations be established to study all questions concerning wheat.

He demonstrated to what extent the International Institute of Agriculture had already carried out the desiderata of the various speakers on the Committee and the measures it must take to carry out the wishes expressed in the International Economic Conference.

16. AGRICULTURE IN COLONIES.

Baron Tibbaut (Belgium) put forward certain considerations relative to agriculture in tropical and sub-tropical countries, with regard to the improvement of technical methods and variety of cultures. He made the following proposal:

“Industrial development in colonies should be carried out as far as possible without destroying the natural environment of the natives, which is an agricultural environment.

“The Conference ventures to suggest to the Council of the League of Nations the study of the means of encouraging agriculture among the natives with a view to their well-being and to the production of economic wealth.”

17. MEETING OF DRAFTING COMMITTEE.

The Drafting Committee, which consisted of Dr. HERMES (Rapporteur), the CHAIRMAN and VICE-CHAIRMAN, together with Mr. BELLERBY (Great Britain), Baron TIBBAUT (Belgium), M. FIVE (Norway) and Dr. HYDER (India), met on May 12th at 5 p.m. and again on May 13th, under the chairmanship of M. GAUTIER (France). After an exchange of views on the various draft resolutions submitted to the Sub-Committee, it instructed M. Gautier and Dr. Hermes to prepare a preliminary draft combining these various proposals. The resolution, as drafted, was read to the Sub-

Committee at its meeting on May 15th by the Rapporteur, Dr. Hermes, who read the resolution paragraph by paragraph, with a view to allowing the members to propose any amendments.

Various amendments were accepted, and the Chairman agreed on behalf of the Drafting Committee to take note of other amendments the drafting of which required more time than could be given during the session of the Committee. Other amendments were withdrawn by consent.

It was then agreed that the final draft should be completed by an enlarged Drafting Committee, including also M. E. Marchesi and Rechid Safvet Bey, for submission to the plenary meeting of the Agricultural Committee, to be held on Monday, May 16th, at 11 o'clock.

The following reservation was put on record by M. Varga (U.S.S.R.):

“1. We will vote for the first part of the resolution concerning the scientific struggle against diseases of plants and animals and our Government will take part energetically in the common struggle.

“2. We also intend to vote for the section concerning farm accounts, agricultural statistics and agricultural investigation.

“3. We shall vote against the first section because it is in general contradiction with our point of view and because, without acceptance of the modifications that we propose, we are convinced that the legitimate interests of the agricultural workers and of the small landowners are not defended therein.”

The resolution as drafted for submission to the full Committee was as follows:

Draft Resolution submitted by Sub-Committee 1.— General Questions.

Note. — The numbering of the paragraphs has been introduced solely for the purpose of facilitating the references.

“1. Agriculture is the occupation of the majority of workers throughout the world, and its various products represent on value the greater part of human labour, and the exchange of its products against industrial products forms, indeed, the basis of world trade.

“2. The agricultural population remains for humanity a reservoir of energy capable of preserving the nations from the rapid human wastage resulting from excessive growth of industry.

“3. The quantity of foodstuffs and raw materials produced by agriculture is one of the factors which determines the maximum limit of industrial development.

“4. The interdependence existing between nations is not less close between the main categories of callings—agriculture, industry and commerce—and it would be vain to hope that one category could enjoy permanent prosperity independently of the others.

“5. In the complete fulfilment of the economic role assigned to it, agriculture is at present hampered by a general depression

varying in degree but affecting a large number of countries on which the world depends for its supply of foodstuffs and raw materials.

"6. The economic depression of agriculture is characterised by the disequilibrium which has arisen between the price of agricultural products and that of manufactured products; its result has been that agriculturists in a certain number of countries no longer receive a sufficient return on their labour and capital; it is aggravated in many countries by the difficulty of obtaining credit on normal terms, by the great increase in fiscal and social charges, and other operating expenses; it has led to a decrease in the purchasing power of agriculturists without consumers having in all cases benefited by a fall in the price of foodstuffs.

"7. The diminution in the purchasing power of the agricultural population has reacted upon industrial production, and is consequently one of the causes of unemployment, which itself reduces the capacity of absorption of agricultural products.

"8. Unless practical measures are taken to restore the balance that has been disturbed, it is to be feared that, sooner or later, there will be a diminution in agricultural production which will be detrimental to the welfare of mankind.

"9. Technical means exist, however, for a considerable development of agricultural production; they must therefore be put in operation. Their general adoption would have the most beneficial consequences for the prosperity and economic peace of the world.

"10. Accordingly, the Conference regards as a vital question for humanity in the economic sphere the increase of agricultural production, and, with this in view, to place agriculture on an equal footing with industry, by enabling all those employed in agriculture to obtain satisfactory conditions of life and a normal return for their labour and on their capital.

"11. It is important that this necessity should be brought home to public opinion, which does not always realise the true situation of agriculture and too often regards it as a secondary industry.

"12. The improvement of agriculture must in the first place be the work of the agriculturists themselves: the general adoption of technical improvements; the scientific organisation of production and stock-breeding, of the campaign against the diseases and the enemies of plants and animals, of marketing, of the standardisation of agricultural products in the interests both of the producers and consumers, of the search for outlets, and of credit and insurance will permit them to reduce their costs of production in their own interests and to the benefit of consumers.

"13. Owing to the considerable number of small and medium-sized enterprises in agriculture—in which the tendency towards the concentration of enterprises which has displayed itself in industry is absent—the organisation of agriculturists will have to be pursued according to the methods of association and co-operation which have already been tested in numerous countries; it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies.

"14. It is to the interest of Governments to encourage agriculture and the agricultural associations which aim at the improvement of the situation of agriculturists. In particular the creation and development of mutual credit would be greatly facilitated by Government help.

"15. Other measures to be aimed at depend chiefly on legislative action. In particular, the Conference is of opinion that social laws ensuring the welfare and security of workers should benefit agriculturists no less than industrial workers and employees, it being understood that such laws must be adapted to the special requirements of agriculture and to the special working and living conditions of rural populations. It is also of the opinion that agricultural training in all branches and the technical instruction of agriculturists should be the object of the attention of the different Governments, as well as of agricultural associations.

"16. The Conference draws the attention of the Governments to the fact that the high rate of interest and too heavy taxation hampers production.

"17. It is desirable that all hindrances to the free circulation of and trade in agricultural products should be removed in so far as their removal does not constitute a danger to the vital interest of the different countries and their workers.

"18. In countries in which Customs protection is maintained, it should be reduced both for industry and agriculture to the lowest possible point and indispensable to production; care should be taken to assist in the maintenance of an equitable equilibrium between industry and agriculture and not to stifle one to the advantage of the other.

"19. The system of export prohibitions and export duties (with the exception of taxes levied for the benefit of the industry concerned) and the frequent changes in Customs tariffs, which long experience has shown to be ineffectual and dangerous, should be definitely abandoned.

"20. The agriculturist should find his just remuneration, not through the caprices of speculation, but in the organisation of the markets and the regularity of prices, which offer him a legitimate return equivalent to that accorded to other producers.

"21. Whereas, finally, the policy pursued in industrial or commercial questions reacts on the economic situation of agriculture and *vice versa*, the Conference requests the League of Nations to ensure that in all its organisations already existing or about to be formed, which are or may be entrusted with economic questions, a place be always reserved for agriculture proportionate to its importance as a social and economic factor.

* * *

"22. In addition to the general observations formulated above, the Conference draws the attention of the League of Nations to the following points:

"23. The value of the documentation which has served as the basis for the discussions on agriculture is admitted, but it must be recognised that it was still insufficient to permit a deep study of all problems and to suggest a solution for them.

"24. The fundamental importance of agriculture demands an exact knowledge of the economic situation of agriculture. Such knowledge can only be gained satisfactorily through a methodical analysis of farm accounts. Such researches would bring about general improvement in agriculture. They would increase the mutual understanding between the nations, and the common interests of the agriculturists of all countries would thereby be clearly interpreted. Finally, a better understanding would be created between the producer and the consumer.

"25. To achieve this purpose, it would be desirable that the different countries should lay down an exact system of farm accounting. These accounts should be drawn up in every country as simply as possible, but by the method ensuring the greatest guarantee of accuracy, in order to obtain comparable results for the different kinds of agricultural enterprises in any country classified by climate, nature of soil, size of holding, systems of cultivation, principal crops grown, etc., and so as to make it possible to study the influence exerted on the net return of agriculture by the factors of greatest importance in production and remunerativeness (wages, quantities of chemical fertilisers consumed, taxation and social charges, prices, indebtedness of farmers, etc.).

"26. It is therefore recommended that a committee of experts be established charged with the study and preparation of the requisite measures.

"27. The Conference considers it necessary that a better service of periodical agricultural statistics should be instituted, especially as regards live-stock and animal products. The data collected by the International Institute of Agriculture show that during the last twenty-five years only 37 countries, representing less than half the total area and about 30 per cent of the population of the world, have as yet proceeded to the compilation of an agricultural census.

"28. A world agricultural census on the lines proposed by the International Institute of Agriculture would make it possible to give the statistical data of the different countries a character of uniformity which they at present lack.

"29. It is no less necessary to organise, nationally and internationally, the speedy transmission to agriculturists of information on harvests, stocks, consumption, and the trade

movements of different commodities, these being important factors which contribute to the formation of prices. The monthly publication of indices of comparative prices of agricultural products and industrial products would constitute most valuable information, as well as the index numbers of the principal elements of the costs of production of agricultural products.

"30. The Conference requests that all Governments should be invited to initiate a general enquiry into the present situation and possibilities of development of agriculture, the distribution of land and the systems of exploitation, on the comparison between agricultural and industrial production, on the relation of agricultural to industrial prices, on the costs of production and selling prices, on the condition of the workers and on the facilities to be provided for their access to the land, etc. — in fact, into the economic, social, financial and technical conditions of agriculture, the study of which will permit further progress to be made.

* * *

"31. Diseases which affect plants and animals diminish agricultural production and should be scientifically combated according to plan, on the basis of international agreements.

"32. The principle of this international campaign has already been admitted by 43 nations, which have set up an "International Epizootic Office", and the International Institute at Rome is proposing to convene a special Conference to prepare for united international action in connection with phytopathology.

"33. International agreements, which establish sanitary supervision, if they provide the contracting countries with adequate guarantees, may, without infringing sovereign rights, purge the regulations of any suspicion of disguised protection, and should add to the stability of trade relations, which is one of the conditions of successful production.

"34. The Conference recommends that an investigation be made into the best means of encouraging native agriculture in colonies and especially in tropical and subtropical colonies, in order to augment the prosperity of the natives and to increase the general wealth.

"35. The Conference recommends that a special study should be made of the resources and the exploitation of forests in order to assure the regular satisfaction of the needs of industry.

THIRD COMMITTEE (AGRICULTURE)

Summary of Proceedings of Sub-Committee 2 (Agricultural Co-operation)

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Third Committee (Agriculture)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 2 (AGRICULTURAL CO-OPERATION).

1. INTRODUCTION.

The Sub-Committee on Agricultural Co-operation held three meetings on Wednesday, May 4th, 1927, at 10.30 a.m., Wednesday, May 11th, 1927, at 3 p.m., and Thursday, May 12th, 1927, at 5 p.m. The Sub-Committee was composed as follows¹:

Chairman : M. KLINDERA (Czechoslovakia).

Vice-Chairman : M. ÖRNE (Sweden).

AUSTRALIA

Mr. Warren KERR.

AUSTRIA

Dr. HIETEL.

BELGIUM

M. V. SERWY [E].

BRAZIL

M. DEOCLECIO DE CAMPOS.

BRITISH EMPIRE

Mr. Arthur VARLEY [E].

BULGARIA

Dr. J. BAÏNOFF [E].

CANADA

• Mr. WILSON.

CUBA

Dr. DE ARMENTEROS.

CZECHOSLOVAKIA

Dr. K. STODOLA.
M. MAYER [E].
M. SCHREINER [E].

EGYPT

FATHALLA HETATA Effendi.

ESTONIA

M. J. HUNERSON.

FRANCE

M. AUGÉ-LARIBÉ [E].
M. VIMEUX [E].

GERMANY

M. GENNES [E].
M. KAUFMANN [E].
M. KEISER [E].
M. LÖHR [E].

HUNGARY

M. DE BLASKOVITCH.

ITALY

M. A. SIGNORETTI [E].
Prof. TASSINARI [E].

INDIA

Dr. L. K. HYDER.
Mr. L. LINDSAY [E].

IRISH FREE STATE

Mr. MACWHITE.

JAPAN

M. Y. HASUMI [E].

LATVIA

M. P. SIECENIEKS.

NEW ZEALAND

Mr. HIGHT.
Sir George ELLIOT.

POLAND

M. Z. CHMIELEWSKI.

PORTUGAL

M. J. B. MONIZ.

U.S.A.

Mr. Asher HOBSON.

U.S.S.R.

M. Eugène VARGA.

International Co-operative Alliance :

M. POISSON.

International Institute of Agriculture :

M. DRAGONI.

2. SPEECH BY THE CHAIRMAN.

The Chairman, in his opening speech, asked his colleagues to refer to documents C.E.I. 14 and C.E.I. 11 on co-operation¹. He emphasised that the group of consumers' co-operative societies and that of the agricultural co-operative societies might collaborate ; (1) by means of credits granted to the consumers' co-operative societies by the agricultural co-operative societies ; (2) in the

¹ C.E.I. 14: The Part played by Co-operative Organisations in the International Trade in Wheat, Dairy Produce, and some other Agricultural Products. (International Labour Office).

C.E.I. 11: Results of Certain of the Enquiries for Instituting a Comparison between the Retail Prices in Private Trade and those of Distributive Co-operative Societies.

¹ [E] denotes expert attached to a delegation.

purchase of agricultural products by these societies ; (3) by an agreement respecting the division of labour in the creation of producers' co-operative societies, a work in which the two groups were interested.

Direct contact between consumers' and producers' co-operative societies would be facilitated if the Conference expressed an opinion on the subject which would be authoritative. As regarded the organisation of producers' co-operative societies, it was impossible to deny to the agricultural producers the right of organising the sale of their own produce, but an agreement should be made as to the respective spheres of the consumers' co-operative societies and the agricultural co-operative societies.

3. EXAMINATION OF THE TWO DRAFT RESOLUTIONS BEFORE THE SUB-COMMITTEE.

Two resolutions had been submitted to the Sub-Committee as a basis of discussion, one by M. POISSON (International Co-operative Alliance), and the other by M. CHMIELEWSKI (Poland).

On the proposal of the Chairman, the Sub-Committee decided to examine successively the two draft resolutions, which were as follows :

Draft by M. Poisson.

"I. The agriculturists of the different countries work for the improvement of their standard of living and at the same time contribute to the general prosperity by utilising to an increasing extent all the forms of co-operation : co-operative supply societies either for their vocational or domestic requirements ; co-operative marketing societies for the regular disposal of their products ; co-operative societies for the preparation and manufacture of goods, i.e. for the intermediate operations between production and sale ; credit co-operative societies for supplying the needs of their members as regards capital (bringing their equipment up to date, improvement in the cultivation of the soil, preservation of products).

"Co-operative institutions also increase the purchasing power of agriculturists as producers and consumers. At the same time, they further economic progress both by increasing productivity and improving quality and also by making it possible to utilise fully the produce of the soil and its by-products. Lastly, they assist the organisation of markets by methods which reduce the costs of distribution to a minimum.

"II. Agricultural co-operative societies will contribute to a still greater rationalisation of economic life in proportion as they multiply their relations with the consumers' co-operatives. Direct commercial relations between producers and consumers and between associations of producers and consumers eliminate superfluous middlemen, and when they are sufficiently extensive lead to the establishment of prices advantageous to both parties. In addition to material profit, there is a moral advantage ; producers and consumers learn to know each other by direct commercial relations and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies are learning to appreciate the value of direct relations in conformity with their common principles.

"Mutual confidence in business transactions constitutes the condition essential to finding

a practical solution for the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies, a question which has for a long time past been settled in theory.

"The efforts made to achieve practical results might be assisted on the part of agriculture by the production of articles of specific quality and uniform type ; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible only from the agricultural producers' co-operative societies ; on the part of the Governments and public authorities by supporting the co-operative movement through the creation of chairs at Universities, the institution of public courses dealing with the co-operative movement and a fiscal policy refraining from taking measures detrimental to co-operative societies.

"To ensure the normal development of co-operation in all the branches in which it exercises its activities, it is extremely important that the laws which govern co-operation should be unified where such is not yet the case, and should impose the fewest possible obstacles. It would be well to create in each country a scientific co-operative institute whose work should compulsorily extend to all the branches of co-operation.

"III. International co-operative agreements with regard to a number of products might be of value in placing markets on a sound basis and lead to the regularisation of production and the stabilisation of prices at satisfactory levels from the point of view of the balance between production and consumption. Such international agreements will find these aims easy of achievement in proportion as they enter into mutual relations with the national and international co-operative consumers' organisations by the establishment of regular business channels, long-term contracts, and possibly the constitution of combined undertakings on the basis of the lessons acquired by experience.

"IV. These joint efforts of agricultural and consumers' co-operation should be encouraged and promoted by the creation within the League of Nations, and with the help of the co-operative organisations, of a body suitable for keeping in touch with the progress accomplished and studying the lessons of past achievements with a view to further progress."

Draft by M. Chmielewski.

"The International Economic Conference considers the development of the co-operative movement, in particular the development of collaboration between the producers' and the consumers' organisations, as one of the most efficacious means of eliminating usury. In order to assure a normal development of co-operation in all its activities, it is extremely important that the legislation governing it should be unified and should impose the fewest possible restrictions.

"With a view to establishing collaboration between producers and consumers, we must proceed to a thorough delimitation of the fields of work. On the other hand, it is indispensable that the producers' societies should ensure the supply (of goods) to the consumers' societies. Finally, there should be created in each country a scientific co-operative institute whose work must include the study of all branches of co-operation."

The various members of the Sub-Committee, supporting the draft resolution in principle, gave an account of the development of co-operation in their respective countries.

M. Örne (Sweden) drew a distinction between the various classes of co-operative societies, defining the rôle of each class. He declared in conclusion that, in the community of to-day, the most important task of the co-operative movement was to counteract private monopolies, in other words to ensure that these monopolies did not extract from consumers and farmers monopoly prices for goods which were produced by members of the same classes of the community. Co-operatives were now carrying out this task of supervision by creating, when necessary, institutions for the purpose, provided with good and sufficiently numerous agencies.

M. Otto Gennes (Germany) observed that the memorandum submitted to the Conference ("Commercial Relations between Agricultural Co-operative Societies and Unions of Consumers' Societies in Germany") came from an economic committee which represented the two principal unions of consumers' societies and the two principal unions of the producers' societies.

He drew special attention to the conclusions given on page 28 of that memorandum. The substance of these conclusions had been embodied in the resolution submitted by M. Poisson on behalf of the International Co-operative Alliance.

M. Kaufmann (Germany) said he agreed with the draft resolution of M. Poisson and the conclusion of M. Gennes. He read a declaration drawn up by the German consumers' co-operative societies which expressed their intention of encouraging as far as they could the agricultural co-operative movement and endeavouring as in the past to meet the needs of their members in agricultural products by supplying them direct from the agricultural co-operative societies.

Dr. Fauquet (Chief of the Co-operative Service of the International Labour Office) said that the discussion showed that there was unanimous agreement as to the necessity of close relations between agricultural co-operative societies and consumers' societies. The differences in doctrine which in the past had separated the two movements had disappeared and common principles were now recognised. Moreover, the documents collected with the assistance of the co-operative organisations themselves showed that already relations had been established either locally or nationally or internationally. It was for those who were responsible for the management of these institutions to develop these relations, but it was important to continue to collect, compare and draw attention to the relations actually established and to emphasise, with a view to further practical developments, the lessons of experience.

Dr. Hietel (Austria) regretted that the co-operative societies were not favoured in respect of taxation.

M. Mayer (Czechoslovakia) noted that, in order to establish direct relations between the consumers' co-operative societies and the agricultural co-operative societies, it was necessary;

- (1) To exclude all political considerations ;
- (2) To substitute co-operative considerations for commercial considerations in business between the two groups ;

- (3) To agree to any sacrifices which might be necessary.

Dr. Bainoff (Bulgaria) explained the part played since the war by co-operative societies in the organisation of exports of corn and in the introduction of industrial crops like tobacco, sunflower, etc.

M. Hasumi (Japan) said that the Japanese societies were willing, if circumstances were favourable, to enter into direct relations with consumers' societies in Canada, the United States, and other countries. He thought that international business would be facilitated by the creation of an international organisation in the interests of consumers and producers.

M. Poisson (International Co-operative Alliance), in response to suggestions of the Chairman and in view of the Polish draft resolution, proposed certain amendments to his draft resolution by introducing the principal portions of the Polish draft.

4. WORK OF THE DRAFTING COMMITTEE.

The new draft resolution, which was a combination of the first two drafts, was examined by a drafting committee composed of the CHAIRMAN, M. POISSON, M. GENNES, M. CHMIELEWSKI and Mr. VARLEY.

In the Drafting Committee, Mr. Varley proposed to suppress the following phrase from the second section of the resolution: "and a fiscal policy refraining from taking measures detrimental to co-operative societies". He supported this proposal by pointing out that this draft might give the impression of a recommendation which contemplated interference with the fiscal policy of the States. He, however, withdrew his proposal as a result of explanations by M. Poisson and M. Gennes, who emphasised that in that case the phrase was not to be taken to refer to fiscal measures which favoured the co-operative movement. The co-operative movement could develop by its own strength if the State did not put any obstacles in its way by means of a fiscal policy detrimental to the co-operative societies. The co-operative movement was not asking the State for any favours, so far as fiscal policy was concerned, but was merely pleading for justice and a fiscal treatment which should not be heavier for them than for other economic groups. It was in this sense that the phrase in the second section of the resolution should be interpreted.

Paragraph IV of the resolution was discussed at length in the Drafting Committee. The paragraph was as follows :

"IV. — These joint efforts of agricultural and consumers' co-operation should be encouraged and promoted by the creation within the League of Nations, and with the help of the co-operative organisations, of a body suitable for keeping in touch with the progress accomplished and studying the lessons of past achievements with a view to further progress."

M. Poisson explained why it was necessary that a body of the League of Nations should be instituted to deal with agricultural co-operation. He emphasised the great importance and vital interest for agricultural co-operative societies of having a body in an institution like the League of Nations, where they might make known their desires and urge their interests by the side of other groups which represented economic forces. The

agricultural co-operative societies, which had a membership of about fifty millions, formed an economic factor which could not be neglected in an institution like the League of Nations.

Mr. Varley, while approving the main idea put forward by M. Poisson, observed that the League of Nations was an organisation of Governments and not of economic groups. It could not therefore be called upon to undertake a task which was remote from its principal object.

The Drafting Committee submitted another draft of paragraph 4 for the following reasons :

(1) The composition and functions of the body in the League of Nations were not exactly determined.

(2) A body of this character would involve considerable expenditure.

The new draft of paragraph IV was as follows :

“IV. The Conference makes the following recommendations to the League of Nations :

“These efforts of agricultural and distributive co-operative organisations must receive attention and be furthered :

“(1) By the creation of a committee representing national and international co-operative organisations of agriculturists and of consumers, a committee which will be entrusted with the establishment of a programme of research and documentation, as well as with the task of unfolding the lessons taught by past experience in view of bringing about new achievements ;

“(2) Further, by the continuance of the Co-operation Service which already exists in the International Labour Office ;

“(3) By participation of representatives of the co-operative movement of all forms in any institution which may come into existence as a result of the present Conference.”

M. Varga (U.S.S.R.) said that, in the U.S.S.R., the agricultural co-operative movement was regarded as the means by which the peasants would succeed in socialising production. The Russian agricultural co-operative societies differed from those in other countries by the fact that rich peasants who did not work with their own hands were excluded. The delegation of the U.S.S.R. could not vote for the resolutions owing to the difference in character between the organisations of the Union and those of other countries.

5. ADOPTION IN PLENARY MEETING OF THE RESOLUTION.

The resolution thus amended was submitted by M. Poisson for the approval of the plenary Sub-Committee.

During the discussion in the plenary Sub-Committee, Mr. Kerr (Australia), Mr. Hobson (U.S.A.), M. Tassinari (Italy) and M. Dragoni (International Institute of Agriculture) opposed Section IV on the ground that it did not refer to the importance of the part so far played by the International Institute of Agriculture at Rome, and the part that it would play in the future, in the development of the co-operative movement of the world.

The Chairman and M. Poisson expressed the view that the co-operative movement in the international field had been helped, not only by the International

Agricultural Institute of Rome, but by other international organisations, and said that they would, in consequence, feel a certain embarrassment in mentioning only one of these organisations in the draft resolution.

The resolution as amended by the Drafting Committee was adopted for submission to the plenary Committee on Agriculture.

Mr. Hobson (U.S.A.), M. Tassinari (Italy) and M. Dragoni (International Institute of Agriculture) voted against Section IV.

Mr. Kerr (Australia) voted against Section IV, but not against the resolution as a whole.

6. THE RESOLUTION ADOPTED.

Draft Resolution submitted by the Sub-Committee on Agricultural Co-operation.

“I. The agriculturists of the different countries work for the improvement of their standard of living and at the same time contribute to the general prosperity by utilising to an increasing extent all the forms of co-operation : co-operative supply societies either for their occupational or domestic requirements ; sale co-operatives for the regular marketing of their products ; preparation and transformation co-operatives for the intermediate operations between production and sale ; credit co-operatives for their needs as regards capital (bringing their equipment up to date, improvement in the cultivation of the soil, preservation of products).

“Co-operative institutions also increase the purchasing power of agriculturists as producers and consumers. At the same time, they further economic progress both by increasing productivity and improving quality and also by making it possible to utilise fully the produce of the soil and its by-products. Lastly, they assist the organisation of markets by methods which reduce the costs of distribution to a minimum.

“II. The agricultural co-operative societies will contribute to a still greater rationalisation of economic life in proportion as they multiply their relations with the consumers' co-operatives. Direct commercial relations between producers and consumers and between associations of producers and consumers eliminate superfluous middlemen, and, when they are sufficiently extensive, lead to the establishment of prices advantageous to both parties. In addition to material profit there is a moral advantage ; producers and consumers learn to know each other by direct commercial relations and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies are learning to appreciate the value of direct relations in conformity with their common principles.

“The clear realisation of the possibility of mutual collaboration, together with mutual confidence in business transactions, constitutes one of the conditions essential to finding a practical solution for the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies, a question which has for a long time past been settled in theory.

“The efforts made to achieve practical results might be assisted on the part of agriculture

by the production of articles of specific quality and uniform type ; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible from the agricultural producers' co-operatives ; on the part of the Governments and public authorities by supporting the co-operative movement through the creation of chairs at Universities, the institution of public courses dealing with the co-operative movement and a fiscal policy refraining from taking discriminatory measures against co-operative societies.

"Effective collaboration — if need be, in the form of common undertakings — will be the easier of realisation if the producers' and consumers' co-operative societies of the different countries are already nationally organised in common economic committees.

"To ensure the normal development of co-operation in all the branches in which it exercises its activities, it is extremely important that the laws which govern co-operation should be unified where such is not yet the case, and should impose the fewest possible obstacles. It would be well to create in each country a scientific co-operative institute whose work should extend to all branches of co-operation.

"III. International unions of co-operative agricultural organisations with regard to a number of products might be of value in placing markets on a sound basis and lead to the regularisation of production and the stabilisation of prices at satisfactory levels from the point

of view of the balance between production and consumption. Such international unions will find these aims easy of achievement in proportion as they enter into relations of mutual confidence with the national and international co-operative consumers' organisations by the establishment of regular business channels and long-term contracts.

"IV. The Conference makes the following recommendations to the League of Nations :

"These efforts of agricultural and distributive co-operative organisations must receive attention and be furthered :

"(1) By the creation of a committee representing national and international co-operative organisations of agriculturists and of consumers, a committee which will be entrusted with the establishment of a programme of research and documentation as well as with the task of unfolding the lessons taught by past experience in view of bringing about new achievements ;

"(2) Further, by the continuance of the Co-operation Service which already exists in the International Labour Office ;

"(3) By participation of representatives of the co-operative movement of all forms in any institution which may come into existence as a result of the present Conference."

Third Committee (Agriculture)

SUMMARY OF PROCEEDINGS OF SUB-COMMITTEE 3 (AGRICULTURAL CREDITS)

1. INTRODUCTION.

Sub-Committee 3 on Agricultural Credits held three meetings, two on May 11th, 1927, and one on May 12th. The Drafting Committee to which the final drafting of the resolution was entrusted held three meetings on May 11th and 12th. The draft resolution was approved by the Sub-Committee at the meeting on May 12th.

The following members and experts took part in the discussion :¹

Chairman: M. STECKI (Poland).

Vice-Chairman: M. HYNNINEN (Finland).

BRITISH EMPIRE

Mr. R. R. ENFIELD.

BULGARIA

M. BAINOFF.

CANADA

Mr. Albert MATTHEWS.

CHILE

M. Enrique BRIEBA.

CZECHOSLOVAKIA

M. MAYER.

FRANCE

M. GARCIN [E].

GERMANY

Dr. KISSLER [E].

ITALY

M. Enrico MARCHESI [E].

JAPAN

M. SATO.

M. NOMURA [E].

LATVIA

M. Charles DUZMANS.

NEW ZEALAND

Professor James HIGHT.

PERSIA

Dr. CHADAMY.

POLAND

M. Léon LUBIENSKI [E].

¹ The letter [E] denotes that the persons indicated were attached to their delegations in the quality of experts.

KINGDOM OF THE SERBS, CROATS AND SLOVENES

M. SEČEROV.

Dr. Otto FRANGESCH.

TURKEY

RECHID SAFVET Bey [E].

UNITED STATES OF AMERICA

Mr. MITCHELL.

International Co-operative Alliance:

M. POISSON.

International Institute of Agriculture:

M. DOP.

Member of the Financial Committee of the League of Nations:

M. DE CHALENDAR.

2. CONSIDERATION OF DRAFT PROPOSALS.

The Sub-Committee had before it a series of documents on the position of agricultural credit in different countries circulated to the Conference. Draft proposals were submitted by M. LUBIENSKI (Poland) and M. BRIEBA (Chile) as follows:

Proposals submitted by M. Lubienski (Poland):

"I. Whereas a durable increase in agricultural production can only be effected concurrently with the intensification of such production, and this can only be achieved by making agricultural production less dependent on natural forces alone and by the introduction into agriculture of more and more capital with a view to expenditure on cultivation and fertilisers, the improvement of the soil, the widest possible use of modern appliances and machinery and finally by the industrialisation of agricultural enterprises, the Conference expresses the conviction that a suitable organisation for the supply of agricultural credits must come to play a predominant part both in the economic policy of each nation and in international economic collaboration."

"II. Whereas the special characteristics of agricultural enterprise demand that the capital placed in circulation in agriculture should be granted for long terms, should be refunded only by degrees and should yield low rate of interest, the Conference suggests that the Economic Committee of the League of Nations should undertake, in agreement with the International

Institute of Agriculture at Rome, a series of investigations with a view to determining the principles of an international collaboration which would secure for the agricultural requirements of each nation a redeemable cheap and long-term loan by the issue of debentures (bonds) secured on mortgages of agricultural estates and suitably guaranteed by the Governments."

Motion by M. Henrique Brieba (Chile).

"The Economic Conference decides to recommend that the Financial Committee of the League of Nations should study an international credit system with a view to making available some of the money scattered throughout the world and lending it to countries which are in need of it, in order that they may develop their means of producing the most essential commodities."

In support of his proposal, M. Lubienski made a detailed exposé of the conditions under which an international credit bank for agriculture might be established, and recalled the discussion on that subject in 1926 at the International Institute of Agriculture. From such a bank agriculturists would be able to gain the credit they required under the guarantee of the States and banks supporting the central institution.

3. DRAFT PROPOSALS RELATIVE TO THE ESTABLISHMENT OF AN INTERNATIONAL AGRICULTURAL CREDIT INSTITUTION.

On the general proposition for the establishment of an international credit institution for agriculture, there was a divergence of opinion. The Polish proposal, given above, was strongly supported by the delegates of the Kingdom of the Serbs, Croats and Slovenes, especially by M. Sećerov of that delegation, who put in an alternative draft, the operative clause of which was as follows :

"The Conference... begs the Council to invite the Financial Committee of the League of Nations to examine the possibility of creating an international institution for agricultural credit, which, under the control of the League of Nations, could secure to agricultural producers, through the medium of the States or the co-operative societies, the credits indispensable for the improvement of agriculture."

The project for the establishment of an international institution also received support from M. Bainoff (Bulgaria), Rechid Salvat Bey (Turkey), M. Garcin (France) and M. Marchesi (Italy). M. Mayer (Czechoslovakia) said that his country was not especially interested in the proposal which, nevertheless, it was prepared to support if the development of agriculture in other countries would be thereby facilitated.

The German delegation were definitely opposed to any recommendation for the establishment of an international credit institution, which they regarded as impracticable. Dr. Kissler (Germany), in explaining this point of view, described the success of the German Rentenbank and advocated the establishment of national organisations for the supply of agricultural credit in other countries on similar lines. He urged the necessity of credit for agriculture, but thought that the Lubienski proposal was not the method by which it could be obtained.

The American delegate, Mr. Mitchell, said that the United States Government could not be

expected to co-operate in a scheme for an international credit institution.

M. Hynninen (Finland) expressed the opinion that the centralisation of agricultural credit in individual countries, which had already been accomplished in Finland, Roumania, France and some other countries and permitted the granting of long-term credits, should be carried out in all countries.

Dr. Kissler put forward, on behalf of the German delegation, a proposal for the examination of the necessary adjustment of credit between different countries as follows :

"The credit situation of agriculture in European countries continues to be stringent :

"1. It is true that, in comparison with the first post-war years, the time of the greatest credit scarcity, a certain relief has set in, but the volume of credit is still inadequate and credit conditions are still too onerous. Moreover, in certain countries, in consequence of the war, taxes and other public burdens, as well as working expenses in their totality, are, as compared with pre-war conditions, too high to permit of agriculture being reasonably remunerative. Before, however, intensive cultivation can be practised and production increased, it is necessary to make agriculture profitable again. It is therefore necessary for all countries to work together to reduce taxes and costs of production and thus at the same time create the possibility of greater accumulation of capital. This again would relieve the credit situation as loan capital would thereby be rendered easier and cheaper.

"Moreover, by permanent regulation of international relations, the stabilisation of prices in agriculture must be made possible, as only by stable prices can a secure credit basis for agriculture be created.

"2. In view of the scarcity of capital in certain countries and the surplus of capital in others, Sub-Committee 3 for Agricultural Credits is of opinion that, independently of the above-mentioned aims, means must be sought to bring about a solution of the existing difficulties. As the agrarian credit question can only be solved with reference to the situation on the international capital market, the Sub-Committee is of the opinion that the search for a solution falls within the scope of the work of the Financial Committee of the League of Nations. The Sub-Committee therefore begs to submit to the Committee on Agriculture the suggestion that the following proposal should be laid before the International Economic Conference :

"That the International Economic Conference should request the League of Nations to charge its Financial Committee with the investigation of the credit situation of agriculture with a view to its improvement in the countries in which there is a scarcity of credit."

4. THE BODY TO WHICH THE QUESTION OF ORGANISING INTERNATIONAL AGRICULTURAL CREDITS SHOULD BE REFERRED.

A second difference of opinion arose as to what body ought to be invited to deal with the organisation of international credits, whether by

the formation of an international institution such as that envisaged in the proposals of M. Lubienski and M. Sečérov, or with the provision or adjustment of credit on other lines less clearly defined.

A number of members thought that the question of agricultural credit should be left to the International Institute of Agriculture, which was already considering the question. On the other hand, certain delegates took the view that the question was primarily a financial one and that, as such, it should be referred to the Financial Committee of the League of Nations.

Reference of the question to the International Institute of Agriculture was supported by the Italian and the British delegates. M. Marchesi (Italy) pointed out that the International Institute of Agriculture had been instructed in 1925 to investigate schemes for such an organisation, and had sent a questionnaire to all the countries concerned, the results of which were to be placed before a Conference called for the autumn.

Mr. Enfield (British Empire) thought the Sub-Committee should not attempt to forestall the conclusions which might be reached by the International Institute of Agriculture. To submit the question to the League of Nations would be to duplicate the work.

Mr. Louis Dop (International Institute of Agriculture) said the question should not be removed from the Institute at the moment when a solution was expected. Any co-operation which the Financial Committee of the League of Nations might render would be much appreciated, for that Committee was composed of financiers particularly competent to give an opinion. He submitted the following draft:

"The Third Committee, after having heard the various points of view exchanged regarding the question of international agricultural credits, recommends that the International Institute of Agriculture should, when examining any solutions contemplated for the problem of international agricultural credit, welcome the presence on its Credit Committee of financiers or persons nominated by the League of Nations."

Reference to the Financial Committee of the League of Nations rather than to the Institute was advocated by Dr. Kissler (Germany) on the grounds set out in the proposals of the German delegation given above. A similar point of view had already been expressed in the resolutions put forward by M. Brieba and M. Sečérov. M. Bainoff (Bulgaria) and M. Garcin (France) spoke in the same sense. M. Garcin said that agricultural credit was a part of the general question of international credit and was therefore a question for the Financial Committee. M. Bainoff said that, although the International Institute of Agriculture must be consulted, it was necessary to take a practical point of view. The financial organisation of the League inspired confidence in the capital market, and, when money was required for international purposes, the recommendation of the League carried authority. The Institute should collaborate with the League on this question.

M. de Chalendar (Financial Committee of the League of Nations), who had been specially asked by the Chairman to attend the Sub-Committee in order to discuss the degree in which the Financial Committee might aid in the accomplishment of its task, thought himself in a position to say that his colleagues would willingly collaborate on the question of agricultural

credits if asked to do so. Nevertheless, time would be necessary to study the documentation which would be collected for their information, and they could only examine this question at the next session.

5. THE DRAFTING COMMITTEE.

The drafting of a resolution which would meet the various points of view expressed during the discussion was confided to a Drafting Committee consisting of M. HYNINEN (Finland), M. SEČÉROV (Kingdom of the Serbs, Croats and Slovenes), M. MARCHESI (Italy), Dr. KISSLER (Germany), Mr. MITCHELL (U.S.A.) and Mr. ENFIELD (British Empire), under the chairmanship of M. STECKI (Poland), with M. GARCIN as Rapporteur.

6. ADOPTION OF A DRAFT RESOLUTION.

The Drafting Committee unanimously adopted a resolution for submission to the full Sub-Committee, by which it was adopted. This resolution makes no recommendation for the establishment of an international credit institution, but asks the League of Nations, taking account of the enquiry by the International Institute of Agriculture, to examine the whole question of agricultural credits with a view to the solution of the present difficulties.

7. RESOLUTION FOR SUBMISSION TO THE PLENARY COMMITTEE.

The resolution, as adopted by the Sub-Committee, was as follows:

"The Conference:

"After having heard the statements of the representatives of Bulgaria, Chile, Czechoslovakia, British Empire, Finland, France, Germany, Italy, Poland, the Kingdom of the Serbs, Croats and Slovenes, and the United States of America,

"Notes that increase in agricultural production is closely bound up with the organisation of agricultural credits;

"Notes that in many countries agricultural credits are not as yet adequately provided for, either through lack of the proper institutions or through the necessary capital not being available;

"Notes that such a position is most harmful to agriculture in the countries in question since it prevents agriculturists both from increasing their harvests, producing them cheaper, and from preventing damage arising from climatic conditions by the use of suitable equipment or of a reserve working capital, and that this position of inferiority which exists in respect of the agriculture of several nations involves unfortunate consequences in respect of industry, since the purchasing power of agriculturists above all depends on the amount and cost of production of their crops. In this respect, an improvement in the agricultural position of certain countries is of interest to the whole world and cannot be neglected by anyone who desires to remedy present-day economic difficulties.

"When dealing with these questions, attention should be drawn to the fact that a reduction in the cost of production may lessen the public burdens which, in certain parts of the world, have become excessive, since the producers' prices would thus be reduced and it would

be possible to increase national savings and to supply a greater amount of capital both to agriculture and to production in general.

"The Conference has also been informed by the reports which have been submitted to it that capital is very unequally divided among the various nations; that certain nations have a sufficient amount of capital for the requirements of their agriculture, whereas others are short of the capital which is absolutely necessary to them and which they by themselves are unable to obtain.

"Having had laid before it by several of its members schemes with regard to the setting-up of an international organisation capable of increasing the resources available for agricultural credits where they are as yet insufficient, but having heard comments on that question arising out of the fundamental consideration that credit must be based on effective guarantees;

"And being aware of the fact that the International Institute of Agriculture is collecting special information on the question of

agricultural credits which should be consulted before any decision is arrived at:

"The Conference invites agriculturists in those nations which have not yet adequate institutions for agricultural credits to collaborate, if possible, by means of co-operative credit societies with a view to carrying out operations by means of the resources that the association may enable them to procure, and by means of the assistance of the public authorities to increase them, since international assistance can only be based on domestic organisations, and it is by co-operation that the guarantee for securing the credits requested can most readily be found.

"Requests the League of Nations fully to consider the results of the enquiry conducted by the International Institute of Agriculture in Rome with a view to examining the possibility of international collaboration in respect of agricultural credits in whatever form may be found from experience to be most useful and with a view to promoting the recovery of agriculture where agriculture is short of capital."

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