

LEAGUE OF NATIONS

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*League of Nations Publications*

VII. POLITICAL

1931

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[Distributed to the Council and  
the Members of the League.]

Official No. : **C. 144. M. 45.** 1931. VII.  
[C.E.U.E./2<sup>nd</sup> Session/ P.V.]

Geneva, February 16th, 1931.

LEAGUE OF NATIONS

**COMMISSION OF ENQUIRY  
FOR EUROPEAN UNION**

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**MINUTES**

of the

**SECOND SESSION OF THE COMMISSION**

*Held at Geneva from January 16th to 21st, 1931*

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Series of League of Nations Publications VII. POLITICAL 1931. VII. 1. ✓
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Dr. H. E. POSSE, Director at the Ministry of Commerce ;  
Baron WEIZSÄCKER, Privy Councillor ;  
Herr FROHWEIN, Privy Councillor ;  
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His Excellency General Gabriel TÁNCZOS, former Minister for Foreign Affairs ;  
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M. A. MUHLSTEIN, Counsellor of Embassy in Paris ;  
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His Excellency M. Constantin ANTONIADE, Envoy Extraordinary and Minister  
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FIRST MEETING (PUBLIC).

*Held on Friday, January 16th, 1931, at 11 a.m.*

*Chairman : M. BRIAND (France).*

1. Opening of the Session.

The CHAIRMAN [*Translation*]. — Before we take up our work, I should like to welcome you all very warmly and to express the hope that the present year will bring a less heavy load of anxieties and troubles of all kinds to statesmen and their peoples than that which has just closed.

Scarcely four months have elapsed since twenty-seven European Governments, fortified by the League's approval and in response to its invitation, formed themselves into a Commission of Enquiry for European Union. That is a short period in the life of nations, and for it to have been productive of so many lessons there must indeed have been a remarkable degree of justification for our action.

At no time since the war has the menace that overshadows the entire economy of the European world appeared so imminent; the menace of grave disorders that, in the end, unless prompt remedies are found, may cause a dangerous disturbance in the balance of affairs, from which none can emerge unscathed. To judge from the steady growth of the movement of public opinion in our countries in favour of European union, the peoples themselves have come to a clearer realisation of the peril.

The events that have occurred since we last met, the development of an economic crisis which leaves no country untouched and the consequences of which may even now be affecting political and social order, have served only to enhance in the minds of our Governments the sense of their joint responsibilities.

The presence of so many statesmen in this room testifies to our Governments' resolve to face the difficulties of to-day. "To unite in order to live", that was the conclusion eight months ago of the memorandum which the French Government was invited to submit for your consideration. It should be the conclusion to-day of all those Governments which are conjointly responsible for safeguarding our common heritage, European civilisation.

At this moment, millions of human beings expect something more from us than a mere affirmation. They ask for an effective and constructive demonstration of the will to safeguard peace, which will result in a first scheme of definite action in pursuance of the preliminary essays at European co-ordination, thereby securing the support of all right-minded men in Europe.

If we are to be equal to the occasion, our message must be heard throughout the length and breadth of Europe, without distinction of frontier. It must come to all alike with a promise of peace, backed by the widest expression of the common will ever made in this quarter of the globe.

In the work of practical organisation which we are about to initiate, we reject no willing offer, we refuse no loyal aid. It is work in which everyone who is sincerely and honestly anxious for the maintenance of peace in Europe has his share. It stands for all alike as a bulwark against all those forms of disintegration which lead to chaos, anarchy and war.

The road is now open before us and no barrier will stop us as we traverse it together. The planning of that road, the first sketch of which we are to begin to-day, will be long; still longer will be our journey and we shall have to proceed cautiously. We must be equally careful not to disappoint our peoples and not to jeopardise our chances of success; step by step, therefore, with foresight and firm resolution, we must map out the way methodically, keeping always before us practical possibilities, but never deviating from our final object. Let every nation do its utmost to facilitate our common task by direct and steadfast co-operation in the general effort to relax the tension in international affairs.

France, at any rate, has made the most magnanimous offers in the hope of dispersing the cloud that hangs over Europe. Her offers are decisive, and none can question their significance. She has made them resolutely and sincerely, for the benefit of the European commonwealth and with a view to the final goal towards which we are all striving. My country hopes that these offers will not remain fruitless and steadfastly relies upon the moral forces which it was its object to encourage.

In taking part to-day in the work of the Commission of Enquiry, the French Government still pins its hopes to the far-reaching programme which I proposed on May 17th, 1930. It is anxious, however, first to ascertain, on all subjects, the common points on which agreement may be reached spontaneously and at once, and it will therefore do its utmost to further the co-ordination of the individual views freely expressed by each.

It would, I think, be useful in the first place to take stock of our records. Last September, they consisted only of the resolution adopted by the Assembly on September 17th, which conferred on our Commission its right to exist, the French memorandum of May 17th, 1930, and the replies of the Governments. That was a beginning. Our tools required to be completed and sharpened. For this purpose, the Commission instructed the Secretary-

General of the League to collect any suitable information which would make it possible for him to take up his task with better prospects of success. The members of the Commission also were invited to give further explanations of their proposals.

We have before us to-day the additional information for which we asked. The Secretary-General, whom I wish to thank, has placed before us a report (Annex 1) enumerating in a substantial summary the work done by the League in the last ten years for the organisation of Europe in the economic and financial field, in the sphere of communications and transit and in that of health, work on which, in many cases, it is for us to take effective action and set the seal. The Secretary-General's memorandum is completed, as regards labour questions, by a very useful memorandum from the Director of the International Labour Office (Annex 2), whose assistance will obviously be most valuable.

Finally, we have received concrete suggestions from a number of Governments (Annexes 3 to 6). They will be completed by the proposals which other Governments have announced their intention of making during this session. There will, I feel sure, be many such proposals, for, if all the Governments have not made use of their right to put their proposals in writing, all of them have, I am certain, at least given careful thought to the subject, as they were requested to do in our decision of September 23rd, 1930.

These, then, are the immediate bases for our discussion, and from them a number of common points can easily be drawn. Logically, the first of our tasks would be to make a schedule of them. In this way, we should, at the outset, have a clearer view of the results which we may hope to reach, and I think, too, that by proceeding in this way, by a series of clearing operations, we shall see that the divergences on theoretical points involved in questions of organisation when viewed abstractly will smooth themselves out and automatically disappear as we advance in our investigations.

Before we begin our examination, there are certain preliminary questions to which I must refer.

You will recollect in the first place that, in September, we asked that we might be informed of the results of the important Economic Conference which the League was to hold in November. M. Colijn is at present in Geneva and I think we might decide this morning whether it would not be desirable to ask him to make a statement on the subject. The information he will give us would be a very useful addition to the material at our disposal.

One question with which we might deal immediately, and which is of particular urgency, is that of agricultural credits. Certain countries await its solution with an impatience that can be easily understood. We owe it to them to go to work resolutely with the object of expediting results in accordance with their legitimate hopes.

There is one question of form which arises for every League Committee; it must decide whether its meetings are to be public or private.

If you agree, we will open our discussions with this question.

## 2. Publicity of Meetings.

The CHAIRMAN [*Translation*]. — I think we might decide that, in principle, our meetings will be public, though, if necessary, we shall of course be able to decide to have private meetings.

*The Commission agreed.*

## 3. Questions of Procedure and Programme of Work.

Dr. CURTIUS (Germany) [*Translation*]. — There is no need for me to say anything in addition to what the Chairman has said as to the need for European co-operation and European peace. My Government's point of view on this subject was set forth in the reply sent to the French memorandum concerning European union. That point of view has not changed; we are still in favour of a policy of peace and co-operation on the basis of equality for all nations alike.

I likewise agree with M. Briand that economic problems should be placed in the forefront of our work; Europe as a whole, and my country in particular, are passing through an exceptionally acute economic crisis, the main features of which, for Germany, are an unemployment figure of 4,300,000, a dearth of capital, and the export of capital without any sort of counterpart. It is for this reason that Germany will always be glad to take part in any endeavour to improve the position in Europe, and in Germany as well, and that we are fully prepared to deal with the economic problems here. As M. Colijn is in Geneva, we should hear what he has to say on economic questions and, if only out of courtesy, we should not keep him waiting while we settle questions of organisation and procedure.

May I next make a few observations on the work we have to do? In accordance with the terms of reference given us by the Assembly, we are to draw up a general programme of the work to be done in the field of European co-operation. We also have to consider certain matters of organisation. We shall have, for instance, to complete our bureau and to study certain questions which were postponed at our last session. We must also consider the composition of the Commission — that is to say, the question whether the European



countries which are not members of the League should take part in our work. That is a matter which, in my opinion, cannot be disregarded. Finally, certain States represented here have forwarded suggestions. Denmark and Germany, for instance, have done so.

May I therefore ask the Chairman at what time shall we be able to consider these important questions, which cannot, in my opinion, be left on one side and which we shall have to deal with at this session.

The CHAIRMAN [*Translation*]. — I did not attempt in the brief remarks I made to settle our agenda. I pointed out summarily, but, I think, adequately, that our records consisted at present of a certain number of proposals. Some of these have been put in writing by members of the Commission who will certainly wish to develop them. Among these, I include the German proposal (Annex 3), the Belgian proposal (Annex 4), the Danish proposal (Annex 5), and the Yugoslav proposal (Annex 6). I pointed out that other proposals might be made during our debates. They, too, will have to be included in our agenda and we shall have to discuss them.

Dr. Curtius raised the question whether the European countries which are not members of the League are to be invited to take part in our work. In my brief observations, I said that I considered in principle that we should call in all those in Europe who are willing to help us in achieving the constructive work of peace we have in view. The question is: At what time could these countries be invited to take part in our discussions? Should it be during the period of organisation or when we take up concrete problems? It is for the Commission to decide this question, if placed before it, of its own free judgment.

I stated that, among the questions with which we have to deal, the first place should be assigned to the economic problem. This matter has been studied by experts who have made recommendations, but it has not been possible to take any action on their recommendations, since, in order to carry them out, the responsible Governments must co-operate, however highly qualified the experts. This is a Commission in which the Governments are represented, and consequently we can effectively state our views on these problems. We have the good fortune to have M. Colijn here. He has made very important researches into the matter, he possesses very important information and, if we invite him to do so, he might acquaint us with his views on this subject; we should assuredly receive very valuable instruction from him.

There is, in my opinion, another pressing problem which causes the deepest anxiety to certain European countries whose position is no less distressing than that of Germany, though they suffer in a different way. Our duty of European co-operation makes it imperative to go to their help at once. I refer to the question of agricultural credits.

If I emphasise these two questions now, I do not intend to exclude other matters. If you consider that these two questions should not be taken up at once, I am prepared to acquiesce, but, otherwise, we will ask M. Colijn to be good enough to give us the benefit of his experience and his investigations.

Dr. CURTIUS (Germany) [*Translation*]. — I should like to thank the Chairman for his explanations. I am glad to learn that the question which I mentioned will be discussed at our present session.

M. GRANDI (Italy) [*Translation*]. — The Italian Government stated, in its memorandum of June 4th, that it was ready to co-operate in the scheme for European union and in the direct examination of the ways and means by which the scheme could be prepared. I wish to repeat that my Government will invariably take part in any endeavours made for the maintenance of peace and European reconstruction.

The Italian Government's object in submitting its observations on the French memorandum of May 17th, 1930, was to clear up certain preliminary points. We consider it desirable to define the principles underlying the scheme, so as to enable the States to form a definite opinion.

One of the points to be cleared up — and in the Italian Government's view this is a previous question which must be examined in order to facilitate our work — is the question of what we ought to do with regard to countries which are not members of the League. The Italian Government has indicated the reasons — and they are reasons of European unity — for which the European Union must embrace all countries in Europe. Otherwise, we should be in danger of having a system in which one group of countries might be opposed to another and we should then be involved in the very difficulties we wish to avoid. The fact that we are Members of the League gives us certain facilities, but, in the interests of European union, we must attempt to secure the assistance and co-operation of those countries which are not members of the League. I do not know what response the Governments of the Turkish Republic or of the Union of Soviet Socialist Republics would make to an invitation, but, if those countries remain aloof when we are drawing up the scheme, their subsequent entry into the Union will undoubtedly be difficult and we shall find ourselves in an awkward situation.

It would unquestionably be very useful to have these two countries here if we are to achieve our aims, which indeed are the aims of the League.

As regards the Chairman's proposal for the discussion of concrete economic questions, we are, I believe, on the threshold of a very vast and complicated investigation. In the Italian Government's view, we have two points to consider. In the first place, the problems submitted to us can only be solved if all the countries are placed on a footing of complete political and legal equality. Secondly, our object cannot be achieved unless all countries are disarmed in accordance with the obligations laid down in the Covenant. If we desire close co-operation with one another, we must reduce armaments. That is the only complete solution for the problem of security.

Having mentioned these points, the Italian Government reserves its right to develop them later, but I may say at once that we support the proposal to discuss the concrete economic problems indicated by the Chairman. We wish it, however, to be clear that these problems will be discussed in the Commission in accordance with normal League procedure and in conformity with the rules we have laid down.

The Commission of Enquiry, after having examined the problems submitted to it, will notify its conclusions to the League Organisations so that a further and final study of the problems may be made at which the interests of all the European and non-European States may be taken into account.

Mr. HENDERSON (British Empire). — There is, I think, general agreement with the Chairman's statement, but the important point which M. Grandi emphasised — namely, the position of non-member States — requires a good deal of consideration before we take a final decision. We must remember that the Assembly decided that this Commission should be part of the League machinery, though it is quite true that the resolution laid it down that we had to consider how far we should invite the co-operation of non-member European States. It seems to me that at some stage we shall have to decide whether we are going to invite non-member European States to participate for all purposes, or whether we shall follow precedent and invite the non-member European States to participate for special purposes. I do not think we are in a position to decide that question this morning.

May I suggest that we should immediately appoint a sub-committee to determine the order in which the various questions will be discussed? We should all, I feel sure, like to hear M. Colijn, and probably the sooner the better, but when we have heard him we shall still have to discuss the question upon which M. Grandi has laid special emphasis. Again, as the Chairman has reminded us, a number of questions have been sent in by Governments for discussion. Someone will have to make a recommendation as to the order in which these subjects should be taken. It appears to me that, if we leave the matter where it is now, we shall be merely failing to concentrate upon any particular question, and we shall not be facilitating our work.

I therefore suggest that the first thing to do is to appoint a bureau and to ask it to suggest at the beginning of the afternoon sitting the order in which it thinks the different questions should be taken. Personally, I should like us first to hear M. Colijn. When we have completed any debate that may arise out of his statement, we should follow the recommendations of the bureau as to the order in which to discuss the remainder of our business.

The CHAIRMAN [*Translation*]. — I agree with our British colleague that we should first appoint a sub-committee to determine the order of our work.

It is, however, I think, clear from the remarks that have been made that we all agree first to ask M. Colijn to make a statement, which will enable us to have the benefit of his experience and the studies he has made.

*Agreed.*

The CHAIRMAN [*Translation*]. — We might decide immediately on the constitution of the sub-committee which is to tell us what our agenda is and indicate the order of the various items.

The sub-committee might consist of eight members, as follows : Mr. HENDERSON, Dr. CURTIUS, M. GRANDI, M. HYMANS, M. BEELAERTS VAN BLOKLAND, the Duke of ALBA, M. MICHALAKOPOULOS and myself.

*The proposal of the Chairman was adopted.*

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SECOND MEETING (PUBLIC).

*Held on Friday, January 16th, 1931 at 4 p.m.*

*Chairman : M. BRIAND (France).*

4. **Work of the Second Conference with a View to Concerted Economic Action :  
Statement by M. Colijn.**

The CHAIRMAN [*Translation*]. — Before calling upon M. Colijn to speak, I desire, on behalf of the Commission, to thank him warmly for placing at our disposal his great knowledge and experience in economic questions.

M. COLIJN (President of the Second International Conference with a View to Concerted Economic Action) [*Translation*]. — Listening this morning to the introductory discussions in your Commission, I began to fear that you might expect too much from the statement I am about to make. I was afraid you might be expecting me to offer you a key to the solution of the economic difficulties of Europe. As I am sure that no such key exists, I most certainly have not brought it with me.

Although quite willing to give my opinion, if desired, on matters of a more material character, I am merely going to do what I have been asked to do — namely, inform the Commission of the progress made at the Conference with a View to Concerted Economic Action over which I had the honour to preside in November last.

I believe that I cannot do better than to go back to the Economic World Conference of May 1927, the Conference with a View to Concerted Economic Action being merely an attempt to carry into effect the resolutions and recommendations of the 1927 Conference.

In doing so, I will first of all deal with the character, the conclusions and the recommendations of the World Conference.

In this connection, I would call your attention to three points connected with those resolutions and recommendations :

- (1) How they were received ;
- (2) How they were carried out ;
- (3) The Assembly resolution of 1929 on economic concerted action.

I will then survey the course of events at both the Conferences with a View to Concerted Economic Action, give you a short summary of the results obtained and will finally say a few words on the present situation and its dangers.

1. **CHARACTER OF THE CONFERENCE OF 1927 AND ITS  
CONCLUSIONS AND RECOMMENDATIONS.**

On September 15th, 1925, the Assembly, on the proposal of the French delegation, invited the Council to convene a World Economic Conference. It was generally felt that an effort should be made to reduce the number of opportunities for international conflict afforded by rivalry between economic interests and that, in view of the anxiety felt by a great number of countries with regard to their economic situation, the time had come to examine the most effective methods, if not of restoring general prosperity, at least of avoiding heavier depression. The currencies of most countries having been placed on a sound basis by 1925, the way was open for a general survey of the whole economic situation and the main difficulties.

After more than a year of very elaborate preparation, the Conference met in May 1927. It consisted of nearly two hundred members, all experts in their respective spheres of economic activity, coming from fifty countries in all the parts of the world.

The unanimous findings of the Conference therefore express what can be termed the most authoritative and collective opinion on the then prevailing economic situation of the world, the nature of the difficulties, and the possible remedies.

The conclusions of the Conference indicate the tasks that lie ahead both for the different countries separately and for the League, if the world is to enjoy economic prosperity. The central theme of the Conference was that trade barriers — in particular, tariffs — are too high and too frequently changed. The recommendations therefore stress particularly the necessity of reducing these barriers and declare categorically that "the time has come to put an end to the increase in tariffs and to move in the opposite direction". The reduction was to be obtained by means of autonomous action by the States, by bilateral negotiations and by collective and concerted action under the auspices of the League.

## 2. HOW THE CONCLUSIONS AND RECOMMENDATIONS WERE RECEIVED.

In the course of 1927, the recommendations of the Conference were given the official sanction both of the Council and of the Assembly and were well received by an overwhelming majority of Governments, who declared their intention of making their policies conform to these recommendations.

A few weeks after the close of the Conference, the Council unanimously approved its report and expressed the opinion that the principles laid down by the Conference were calculated to contribute to an improvement of the economic situation of the world, and in particular to that of Europe.

The Assembly in September of the same year declared that the adoption of the recommendations of the Conference would effect a substantial improvement in the present economic policies of the world.

In the course of the same year, twenty-nine Governments — twenty of which were European — officially expressed their attitude towards the conclusions of the Conference. From their declarations it appeared that they all, without exception, recognised that the principles advocated by the Conference were based on a realistic view of the economic situation of the world and particularly of Europe, and that their application, more especially to commercial and tariff policy, would be calculated to relieve to a considerable extent the world economic situation.

Most of the Governments in question stated that they intended to apply these principles in their own autonomous policy as well as in their relations with other countries, and they announced their willingness to co-operate in any concerted action undertaken by the League for the purpose of applying the recommendations of the Conference.

## 3. HOW THEY WERE CARRIED OUT.

So much for the declarations concerning the adherence in principle to the recommendations of the Conference. The practice, however, did not on the whole at all correspond to this enthusiastic acceptance. If we limit ourselves to the field of tariffs, the first year after the Conference saw, it is true, some check on the upward movement of tariffs in many countries. A number of bilateral commercial treaties with tariff agreements based on the most-favoured-nation clause had, as a result, even a certain reduction of the tariff levels. But no collective effort was made to reduce excessive tariffs.

The second year after the Conference shows, however, again a marked tendency towards increased protectionism, and the number of bilateral treaties providing for tariff reductions grew less. Nor did collective action, although it had some very slight results to its credit — such as the Convention on Hides and Bones — hold out any great hopes that substantial progress could be achieved in this sphere.

## 4. THE RESOLUTION ON ECONOMIC CONCERTED ACTION.

In these circumstances, the Assembly of 1929, when reviewing the progress made in applying the recommendations of the 1927 Conference, had to state that, in spite of a few sporadic efforts, no decisive movement had occurred in the reduction of trade barriers and no serious effort had been made to carry out the fundamental idea of the Conference — namely, the idea of closer co-operation between nations in their economic life and reduction of opportunities for international conflict.

In view of the unsatisfactory results, the 1929 Assembly thought that the time had come to seek new methods which would help the world, and in particular Europe, to achieve more rapidly the object that the 1927 Conference had in view. Accordingly, the Assembly invited the Governments to meet in order to draw up a Programme of Negotiations with the object of improving economic relations by all practicable means, especially by reducing hindrances to trade. The conclusion of a Customs "Truce" should precede these negotiations so that they could be undertaken in an atmosphere of tranquillity.

## 5. THE FIRST CONFERENCE.

The first Conference met early in 1930. All States without distinction were invited to the Conference. By a process of natural selection, however, the Conference was composed almost exclusively of European States.

Thereafter the stages of the concerted economic action of which I have to speak assumed a definitely European character, a fact which makes them of particular interest for the work of the present Committee.

The first Conference did not achieve its main object. Instead of a full "Customs Truce", agreement was only reached on a kind of semi-truce, which provides for a prolongation until April 1st, 1931, of any bilateral commercial treaty expiring before that date, supplementing this prolongation by a system of safeguards intended to secure a relative degree of stability in the Customs systems of the signatory States.

The "Commercial Convention" signed on March 24th, 1930, embodying the agreement to which I have just referred, has been signed by eighteen European States.

The Conference also agreed upon a list of questions to be sent to the States represented at the Conference the answers to which would form the basis of future negotiations. This questionnaire is contained in the "Protocol" also concluded on March 24th, 1930, and which bears the signature of all the European countries. The questions inserted in the Protocol cover more or less the entire ground as regards economic relations between nations, including tariffs. The Governments were asked to furnish memoranda on the exchange of agricultural and industrial products and the possible means for improving international trade. The Economic Committee was to draw up, on the basis of these memoranda, a complete programme of negotiations. The Protocol may therefore be considered as a complete framework corresponding, in view of the States which signed it, to the idea of European economic union which was so strongly emphasised by the Assembly of 1929.

#### 6. THE ELEVENTH ASSEMBLY (SEPTEMBER 1930).

The deliberations of the Assembly of 1930 on economic questions were dominated throughout by the prolonged general economic depression and, in particular, the agricultural depression. The necessity for speedy and efficient concerted action to relieve this depression was demanded with the utmost insistence. European and regional agreements both found advocates among the delegates to the Assembly, and the desire was general that the Conference, which was to meet in November 1930, in order to put into force the Commercial Convention of March 1930, should without further delay begin the negotiations which, under the terms of the Protocol, were open early in 1931.

#### 7. THE SECOND CONFERENCE (NOVEMBER 1930).

This Conference, which met on November 17th and at which were represented all the European countries, had a double object. First, it was to take a decision as to the putting into force of the Convention of March 24th, 1930, and, secondly, it had to begin negotiations on the basis of the programme drawn up by the Economic Committee, taking into account the memoranda of the Governments.

#### 8. RESULTS OF THE SECOND CONFERENCE.

What were the results of this second Conference? To be quite frank, they were rather poor. No decision was taken as regards the putting into force of the Commercial Convention, ten ratifications only having been deposited at the time of the Conference. The Conference was informed, however, that some Governments had already instituted the procedure for ratification and that therefore their ratification could be considered as probable, and moreover that certain other Governments had declared that their adherence depended on the progress of negotiations. For these reasons, the States which had already deposited their instruments of ratification thought it desirable to postpone a decision as regards the putting into force of the Convention, thus giving other Governments an additional period until January 25th, 1931, within which ratifications, if deposited, would be considered valid.

As regards the negotiations themselves, the Conference had before it three concrete proposals, all envisaging tariff negotiations: a British proposal aiming at an all-round reduction of tariffs by way of multilateral negotiations, proceeding by groups and stages; a Netherlands proposal suggesting negotiations between States with autonomous tariffs and States with conventional tariffs, the first group binding themselves to maintain their liberal system in return for tariff reductions to be granted by the second group; the third proposal was that of the Governments of Hungary, Roumania, and Yugoslavia, with which Poland associated itself, asking for a preferential Customs treatment for the surplus grain produce of these countries.

The Conference, after carefully examining both the British and the Netherlands proposals for several days, came to the conclusion that these proposals could not form, in present circumstances, the subject of multilateral negotiations, and it was left to the interested States, which expressed their readiness to do so, to make the proposals the subject of bilateral negotiations which could be pursued simultaneously if the parties so desired.

Neither did the demand of the Danubian agricultural countries, although in principle favourably regarded by the States which constitute the principal markets for the produce in question, receive a favourable solution, since the difficulties — in particular, those arising out of the most-favoured-nation clause — appeared almost insurmountable. Here, as in the preceding case, however, the demand forms the subject of further bilateral negotiations.

Of the various methods suggested for improving the situation of the agricultural countries of Central and Eastern Europe, the Conference retained one — namely, the question of agricultural credits, inviting the League to pursue energetically, through its Financial Committee, the study of this question.

The Conference of November 17th was also invited to attempt to enlarge the field of application of the Convention for the Abolition of Import and Export Prohibitions. The Conference adjourned the consideration of that question also. The same applies to the question of the treatment of foreigners which was also placed on the agenda of the Conference.

#### 9. THE ACTUAL SITUATION AND ITS DANGERS.

The deliberations of the last Conference showed clearly that, with one single exception, perhaps, the Governments do not consider it possible at present to enter into collective negotiations on tariff matters. In non-tariff questions, the Governments seem still to be prepared to co-operate in the work undertaken by the League on the basis of the Protocol of March 1930. That, however, is a very poor consolation for the failure of the action undertaken under the League's auspices in tariff matters.

It is far from an agreeable task to set forth these unsatisfactory results, but no useful purpose would be served by concealing the truth and denying facts which are only too manifest. The attempts to carry into effect the main resolutions and recommendations of the World Conference of 1927, even after they were transferred to an exclusively European field, have failed; and it is best to say so frankly.

Let us look at the Conference on the Treatment of Foreigners. It did not succeed in establishing an acceptable convention, and I strongly doubt whether the work now being carried on in this field among a number of European States will lead to any better result, since a liberal regime in regard to human activity is merely a pendant to a liberal regime for trade. What is required for both is a spirit of co-operation, which so far has failed to materialise.

Still more unfortunate, and at the same time still more characteristic, as regards European relations, has been the fate of the Convention of November 1927 on Import and Export Prohibitions.

On this subject, it was found necessary to hold three successive conferences — in 1927, 1928 and 1929. After two years hard work, ratifications — conditional ratifications, it is true — were obtained from almost all the European countries, Japan and the United States of America. It seemed as if the goal had almost been reached when, unfortunately, certain well-known difficulties of a regional nature, and exclusively European, led to the dissolution of the imposing group of countries which had formed in connection with this Convention. The Convention therefore has not been put into force except among seven States, which, moreover, have used the prohibition system only in exceptional circumstances. The engagement entered into by these seven States itself expires on June 30th, 1931, and it may be assumed that they will not consent to remain bound after that date if, the above-mentioned difficulties having been eliminated, the other European countries do not join them.

The time available is therefore very short. Unless the Governments exert themselves in one last effort, I cannot be considered unduly pessimistic if I prophecy that the Convention on Prohibitions, child of so much care, will cease to exist after June 30th.

The third failure need hardly be mentioned after what I have said already: the failure of our last Conference. We failed in putting the Commercial Convention into force. We failed in discovering a possibility for collective lowering of tariffs. As far as the plight of the agrarian countries in Central and South-Eastern Europe is concerned, we had to be satisfied with a recommendation that the Financial Organisation of the League should study the possibility of organising agricultural credits in those States. That is all there is to say.

The World Conference of 1927 was far from satisfied with the situation then existing. It condemned the tariffs as they then were. It condemned other excessive forms of hindrances to normal trade, such as dumping, export bounties and other means of indirect protectionism. All that was equally condemned by nearly all responsible Government authorities, and the sentences were even accompanied by solemn declarations of intended improved behaviour.

Now, after nearly four years of hard work, we have to satisfy ourselves with the statement that the present situation, instead of being an improvement on the then existing state of affairs, is worse than in 1927. There has been no improvement at all; on the contrary, there has been a gradual sliding backwards.

The deplorable consequences of this state of affairs has been that the people in a good many countries have lost all faith in the economic work of the League. They hear of Conferences and of debates lasting week after week, and the end seems always the same: one or two speeches trying to cover up the failure.

I fully realise the injustice of some of the criticisms. They are often unfair; unfair towards the League which cannot do more than its Members allow it to do; unfair towards the remarkable work of the Economic Organisation of the League. They are also unfair in so far as one cannot possibly expect miracles to happen in such questions in two or three



years. We can only creep forward. But there must at least be creeping, and people are right when they say that creeping has been wanting. That has caused the prevailing disappointment.

I will not dwell on the probable reaction this disappointment may have on the confidence of the peoples in the work of the League in other spheres, but I cannot finish my report without drawing your attention to the imminent danger of these constant failures, first of all, in the economic field and, secondly, in their possible repercussion on the general situation in Europe.

In 1922, when the first symptoms of the collapse of the defective post-war economic structure appeared, a considerable number of countries tried to escape its disastrous consequences by all sorts of artificial measures, hoping to find shelter until the storm passed over. It was a delusion. The causes of the economic upheaval were too grave for escape to be possible.

Certain other countries with a different economic structure did not think it advisable to resort to such protective measures, or did so only in moderation. Intentionally or otherwise, these countries have certainly exercised a moderating influence on public opinion in those countries which had hoped that the effects of the economic crisis could be warded off by artificial measures. This is particularly true, because it was not generally felt that the economic depression could be avoided — even in countries where the official policy was supported by a strong current of public opinion. Even those who demanded a stronger free trade policy exercised a moderating influence on the economic action of their Governments.

Unhappily, just at the moment when you are met together to try to alleviate the common sufferings of all Europe, these moderating influences are on the decline. The repeated failures at Geneva in the economic sphere are tending still further to weaken those forces and, moreover, to expose them to the ridicule of their adversaries, who seize upon those very failures as arguments in favour of their own theories.

Thus it is that opposition to a narrow and exaggerated economic nationalism is weakening, while there is an ever-increasing tendency to accentuate by higher and higher barriers that economic disunity which places Europe in so definitely inferior a position. Furthermore, these same tendencies are also becoming manifest in those European countries which had hitherto pursued a moderate economic policy.

The feeling that certain countries are paying heed to their own interests alone, and are making it constantly more difficult for the produce of other countries to enter their territories, and that they are artificially making it easier for their own surplus output to be dumped on the markets of countries whose frontiers are open to them — this feeling, I say, will inevitably constrain the other countries to reconsider their policy; sooner or later they will no longer be able to resist the protectionist forces that are developing within them, and they will end by reorganising their commercial system.

What reason is there, it has often been asked, to complain of any particular commercial policy? Every country chooses the commercial system which suits it best, and which it thinks best calculated to advance its development.

Up to a point this argument is irrefutable; but those who use it do not realise the probable consequences of the fall of the last uncaptured strongholds of free trade. They exert in the European community the same moderating influence as certain trends of opinion in any one country. As soon as that moderating influence has disappeared, commercial relations between European countries will be more than ever at the mercy of such immoderate demands as groups or parties, for private or electoral reasons, will most certainly advance, without giving the least heed to international reactions.

Even now, voices are being raised against any treaty commitment in the matter of tariffs, and any fixing of maximum duties. We are told that we must get rid of these hindrances and preserve complete freedom of action so far as concerns tariffs. If this view prevails, it is easy to foretell the inevitable result.

As I said in my closing speech at the last Conference, if certain passions that are now making themselves felt in connection with tariffs — passions that have hitherto been controlled by moderating influences, both national and international — are unchanged and freed from all constraint, they will dominate the future, and their domination will beyond question lead to a general tariff war in our part of the world. In my humble opinion, the effect of such a tariff war on the general European situation would be very grave.

Such are the dangers of the present situation. It is needless to say that all who are concerned for the fate of Europe should do everything in their power to ward off the disastrous consequences of any increase in the competition in economic armaments.

But is that still possible?

In according a sympathetic welcome to your distinguished Chairman's proposal, you have shown that you realise what Europe might be if human enterprise could pour itself out unchecked, and what immense progress would result, not only for Europe as a whole, but also for each of the individual nations of Europe.

I know you are all convinced of this ; and if an abstract conviction were in itself enough to settle problems, I do not doubt that this labyrinth of trenches, this mosaic of economic units, large, medium-sized and small — every unit, however, too small to allow production to proceed on truly rational and modern lines — would rapidly be transformed into a single vast market. But we all know that behind the shelter of age-old dividing walls, *de facto* situations have been created which we cannot hope to overthrow in a day.

I confess, however, that I could not understand the present Committee's purpose if its ultimate aim — however distant — were not that which I have just indicated ; I know, of course, that long years, generations perhaps, still lie between us and the goal, and that we must go slowly, gradually, carefully arranging all the necessary transitional stages.

Those of you who are Foreign Ministers of European countries, do not, I beg of you, if that is your aim, imagine that all this only concerns your colleagues, the Ministers of Commerce : do not think that you can afford to ignore what is taking place in the sphere of economic relations.

Take care lest what is taking place in the economic field should preclude, or at all events delay indefinitely, the realisation of your noblest political conceptions. Individual interests are worthy of respect ; those who defend them are doing their duty ; but they must not be asked to do more. It is mainly for the responsible Governments, and particularly for those who have to maintain and improve international relations, to bring about a better economic organisation of Europe.

The picture I have just painted is dark indeed, I know. I think, however, that there is yet time to prevent at all events some of the dangers, provided that effective action is not delayed too long. I therefore venture to urge the necessity of taking the crucial opportunity which lies before us now — namely, to continue the bilateral negotiations at present preceeding, until a successful conclusion is reached — otherwise, I repeat, we shall have to give up the Commercial Convention too.

Should these negotiations also ultimately fail, it would be impossible to put the Commercial Convention into effect or to maintain it in force at the end of each half-year. On the other hand, if these negotiations offer any chance of success, it will be possible to conclude a kind of armistice. The Commercial Convention is certainly not an outstanding piece of work ; nevertheless it at least introduces into commercial relations a certain stability which is necessary to enable fresh negotiations to be carried on, but which cannot be attained unless there is a manifest intention to reduce tariffs. These two objects influence each other to an equal degree.

The dangers I have pointed out — dangers which, if not removed, will undoubtedly defeat the work of the European Committee — may yet be avoided, if prompt measures are taken to ensure the success of the bilateral negotiations that are about to be opened, and if, too, the Commercial Convention is put into force, through the favourable conditions which may be created, thanks to those bilateral negotiations.

This Commission has undertaken the task of bringing the nations of Europe nearer together and providing for closer collaboration between them. Would it not be desirable in the first place to prevent those nations from drifting farther and farther apart ?

The very menace of a tariff war surely constitutes a serious obstacle to a closer understanding between the nations ; and consequently an improvement in the economic relations between the European States would seem a *sine qua non* if the aims which the European Commission has in view are to be attained.

I repeat : I am convinced that we can yet succeed if we are resolved to act, and to act quickly.

The CHAIRMAN [*Translation*]. — You have just heard a masterly and eloquent description of a position which is difficult and, I will venture to add, somewhat discouraging. The description you have just heard is lacking neither in clearness nor in frankness, and I sincerely thank M. Colijn for having brought us face to face with the difficulties of our task. The statement we have just heard has made clear the imperative and urgent necessity of the Union which we are seeking to achieve. We now see how necessary and urgent it is for us, in order to solve the difficulties to which reference has been made, to establish at last between the nations of Europe that bond of common understanding which has hitherto been lacking.

In the first place, M. Colijn very aptly said that, if we expected him to supply us with a key to all our difficulties, we were doomed to disappointment. He expressed a truth in saying that, but he was too modest. None of us imagined that he would bring forward a magic key, for after all, we are faced with numerous locks of varying degrees of intricacy, and some of them containing several secret springs which are difficult to operate. What we want therefore is a kind of symposium — a school of locksmiths from which may emerge a key capable of unlocking all the locks.

That is our task and I am bound to admit, and M. Colijn will agree with me, that it will not be an easy one. He appealed to the goodwill of the Ministers for Foreign Affairs. I hope that appeal will not result in the Ministers for Foreign Affairs coming to loggerheads with the Ministers of Commerce, as the latter have their own ideas and do not like to have



their field encroached upon. Since, however, he has appealed to us, whose main duty it is to cement international friendship and endeavour to eliminate the causes of misunderstanding and conflict, I am sure that all my colleagues will, like myself, hearken to his appeal. M. Colijn may rest assured that we will make every effort to discover some solution. We will do all we can to prevent any increase in the dangers to which he has referred; we will do all we can to take advantage of the present atmosphere which is still favourable to conciliatory settlement. I say so because — and I do not think I shall be offending his modesty — M. Colijn has, by his statement, made a valuable contribution to the problem, which will help us to achieve satisfactory results.

I feel sure I am speaking on behalf of all my colleagues in thanking M. Colijn very warmly for his statement. I think it is due to him that we should open a discussion on his theses and conclusions.

*On the proposal of Mr. HENDERSON, the Commission decided to adjourn the discussion in order to enable the members to study M. Colijn's speech.*

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### THIRD MEETING (PRIVATE)

*Held on Saturday, January 17th, 1931, at 11 a.m.*

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*Chairman: M. BRIAND (France).*

#### 5. Question of the Participation in the Work of the Commission of European States not Members of the League.

Dr. CURTIUS (Germany) [*Translation*]. — I wish to support the reasons advanced by M. Grandi yesterday in favour of his proposal.

In its reply to the French memorandum, the German Government urged the desirability of inviting Turkey and the Union of Soviet Socialist Republics, that is to say, the European States which are not Members of the League, to take part in our proceedings. This is important, not only because we are considering here the position of Europe as a whole and because these countries form part of Europe, but also because the most essential task for us at the moment is to find a solution for the economic difficulties of Europe, and from the economic standpoint it is extremely important that the two countries in question should be represented at our meetings.

I realise, of course, that there are objections to this proposal. But would not the absence of these two countries cause even greater inconvenience? Would it not entail difficulties of an economic kind in the search for the solutions we have in view?

Moreover, if I am correctly informed, the Union of Soviet Socialist Republics has already been invited some ten times by the League or by other international organs. It took part in the proceedings of the 1927 International Economic Conference; it was invited to the Genoa Conference, and, during the discussion of economic matters at the League, it has often been pointed out — M. Colijn drew special attention to the point yesterday — that all action taken in the economic sphere was the outcome of the Genoa Conference. This country likewise took part on a footing of equality with the other members in the work of the Preparatory Commission for the Disarmament Conference. It has also taken part in other work initiated by the League, and cannot therefore now be excluded.

If, however, we wish these two countries to be represented at our meetings, it will not, I think, be enough merely to open the door to them. The Russians are very sensitive on certain points and they might say: "If the door is merely thrown open to us and we are not invited, that is a very ambiguous attitude and shows that our presence is not desired."

For that reason, I propose that we should send at once an express invitation to the European States not Members of the League, to take part in the work of the Commission.

M. MOWINCKEL (Norway) [*Translation*]. — On considering the German proposal, I am led to wonder whether it is not somewhat premature for us to deal at present with the question of sending an invitation to the European States not Members of the League.

The Assembly last year took a perfectly clear decision. It stated:

"The Assembly reminds them [the Governments] that, in so far as such co-operation may seem to them to be useful for the pursuit of their enquiry, it is open to them to conduct this enquiry in conjunction with the non-European Members and with non-Member Governments."

The Assembly therefore expressly said that we could contemplate such co-operation if we considered it useful for the success of our enquiry. We have not yet, however, begun our enquiry.

My Government has very cordial relations with the Government of the Union of Soviet Socialist Republics. Our commercial relations are good and I should be happy to see very close co-operation established with this great country. Scarcely a week ago the Soviet Minister in Norway paid me a visit and discussed with me various questions which are of concern to the League as well. I spoke frankly to him and said "Why does your country not enter the League? The Norwegian Government would welcome it there." I may say that if at the next Assembly a proposal were made to invite the Union and Turkey to join the League, it would be supported by my Government which would gladly vote in favour of it because its adoption would result in added strength to the League.

We have come here, however, to study mainly the economic questions with which Europe is concerned, and if in order to assist our investigations we think it right to invite the Union of Soviet Socialist Republics and Turkey, I shall approve a proposal made on these lines, but as our studies have not yet begun, would it not be better to postpone a decision regarding Dr. Curtius's proposal until, say, this afternoon?

In the next place, the Commission has before it a proposal from the Danish Government, with which I am in complete sympathy, to set up three sub-committees which could examine these difficult questions better than we could. In its proposal, the Danish Government says explicitly that these sub-committees might, if they think it useful for their work, invite the non-European Members as well as the non-Member States to participate.

To sum up, I think it would be difficult to send an invitation to the Soviet Government before the Commission has given its opinion and taken a decision on the Danish proposal. I consider therefore that it would be in conformity with the Assembly's decision to which I have referred, to adjourn Dr. Curtius's proposal.

M. TITULESCO (Roumania) [*Translation*]. — My Government would be very glad if the Soviet Republic could collaborate as closely as possible in the work of the Commission. In my view, however, its co-operation involves no question of principle: it is merely a question of expediency and, more especially, one of powers. In this connection, we must read carefully the mandate entrusted to us by a unanimous vote of the Assembly and see what we can do, in the event of its becoming clear that it would be expedient to send an invitation.

I repeat that this is not a question of principle; we should not therefore decide to exclude any State that can claim, for one reason or another, that it belongs to Europe. We have not to define Europe, because that would lead us into a controversy from which we should never escape.

This is a question of expediency and a question of powers. We must go back to the resolution of the League Assembly, in virtue of which we are meeting here to-day. The Norwegian representative has quite rightly read you paragraph 6 of the resolution. If you will allow me to compare it with paragraph 5, you will see even more clearly what was the Assembly's unanimous wish:

"The Assembly invites the Governments of the European States Members of the League of Nations, acting, with the assistance of the Secretariat, as a Commission of the League, to pursue the enquiry which has already been begun and of which the French memorandum of May 17th, 1930, and the replies thereto constitute the first elements."

It follows that the twenty-seven States here present were invited by the Assembly to study the question. The resolution then continues:

"Reminds them that, in so far as such co-operation may seem to them to be useful for the pursuit of their enquiry, it is open to them to conduct this enquiry in conjunction with non-European Members and with non-Member Governments."

According to this resolution, non-European and non-Member Governments can work in conjunction with us; but they cannot be invited in the same way as ourselves, unless the resolution of September 17th, 1930, is changed.

If we examine the question from the point of view of expediency and of our powers, what do we find the present situation to be? We are asked to invite non-Member States to help us in the pursuit of an enquiry that has not yet begun. But we cannot invite them; we can do no more than to appeal to them to work in conjunction with us. It follows that, on one hand, the enquiry has not yet begun, and, on the other, that we should agree on the meaning of the expression "in conjunction" (*en liaison*).

I arrive at the following conclusion: No State should be excluded. Dr. Curtius's proposal may be reverted to at any moment. Meanwhile, I think we shall be more strictly in keeping with the terms of the Assembly resolution if the twenty-seven States Members mentioned in that resolution begin the enquiry in question.

When should Turkey and the Union of Soviet Socialist Republics be invited? My answer is that they should be invited at the moment when, in the light of our future discussions, it appears expedient to do so.

Mr. HENDERSON (British Empire). — There appear now to be two motions before the Commission: One by Dr. Curtius that the non-Member European States should be invited to participate in this enquiry, and the other by the Norwegian representative that we should postpone taking a decision.

I wish to support the proposal of Dr. Curtius, and, in doing so, I will ask you to note the arguments advanced by the Norwegian representative. He is in favour of delay, though towards the end of his speech that delay extended from a decision taken before luncheon to a decision taken after luncheon. I will leave it to him to say how our capacity to take a decision will be improved during the luncheon hour. It appears to me, however, that the decision might with advantage have been taken earlier, in other words, at our last session in September. We must remember that our decisions become public property, and we have to keep in mind the effect which the publication of a resolution such as that adopted at the Assembly is likely to have upon the non-Member European States. I am sure that, if we were to look at matters from the other person's point of view, we should probably regard a decision which had been made public, such as that we adopted at the Assembly, in a different way from that in which some of the delegates appear to be regarding it this morning.

If we tell public opinion that we have the power to invite, and if we do not invite, but say that we must delay our decision, as is proposed in M. Mowinkel's amendment, what will be the effect upon the Government of Soviet Russia or of Turkey? The position is the more surprising in view of the fact that the mover of the amendment told us that his country was on very friendly terms with the Soviet Government. I can only say that my Government maintains as friendly relations as the other Government will permit; but when a delegate professes that his Government is on very friendly terms with the other Government, those friendly terms should, it seems to me, be expressed in a decision one way or the other, and the issue should not merely be held up for some future occasion.

When referring to this subject yesterday, I said that we should have to decide whether we were to invite the non-Member European States to join us for special questions or for all questions. I have come to the conclusion that we ought to invite them to assist on exactly the same basis as the rest of us who are associated in this gathering; if we intend to do so, we cannot, in my opinion, do it too soon, and we should do it generously. I understand that that is the motion proposed by Dr. Curtius, and if a decision has to be taken between delay and action, I intend to vote in favour of action being taken at once, and of our invitation being as generous as possible.

There is another aspect of the question which I think we should notice to-day, because the argument which I have just advanced about publicity applies not only to the non-Member European States, but also to the non-European States. The Assembly resolution as we have already been reminded, makes it quite clear that we are to conduct our enquiry in conjunction with non-European Member States and with non-Member Governments. It seems to me that that is a very general reference, and while we are in private session to-day, we ought, I think, to decide whether we can not go a little further than Dr. Curtius has suggested and consider at once whether all the States, non-European Members and non-Member Governments, should not be invited, in order to give them an opportunity of saying whether they would like to co-operate with us or not.

As I understand the position, the ideal and the spirit of the League is to include everybody, and although some have chosen to be in and have chosen to go out, and some have chosen never to come in, I think we ought always to put our ideal first, our ideal being the greatest measures of co-operation amongst all States. We should never create the impression that we are prepared to keep anybody outside the momentous questions which we have to consider in this Commission.

While, therefore, I suggest that Dr. Curtius might be prepared to consider extending his resolution in the direction I have indicated, I shall vote, if a vote is taken, in favour of his motion.

M. MARINKOVITCH (Yugoslavia) [*Translation*]. — The first question which arises is whether we have the power to invite certain States to sit in this Committee. Mr. Henderson has proposed that an invitation should be extended to all States whether Members of the League or not.

I do not think, however, that we have the power to do that. We have not been granted the right to enlarge the Committee by our own authority. We are not an international

conference. Reference has been made to the fact that certain Conferences addressed invitations to non-Member States; but those were Conferences composed of Government representatives. We are merely a Commission of the League of Nations, set up in virtue of a resolution of the Assembly. The Assembly understood the position perfectly; it might quite well have set up a commission on which all Governments would have been represented whether they were Members of the League or not.

M. Mowinckel's proposal is a very reasonable one. According to M. Mowinckel, before we decide on the proposal before us, we ought to begin to study the questions that have been submitted to us. It is probable that, during the discussion of the first of these questions, we shall realise that it is necessary to have the collaboration of the non-Member States, and consequently we shall take the necessary decision at that moment. Such, in my opinion, is the procedure we should follow.

As regards the invitation itself, I do not think it is our business to send it directly to the Governments concerned. We shall have to communicate our decision to the Secretariat so that the latter may inform the Assembly of the Council, which will send the invitation to the non-Member States.

I know that there was a certain feeling of anxiety last September that this Commission might become a body independent of the League. Fears were expressed that our activities might undermine the League. Personally, I did not share these apprehensions, but I must admit that if we send the invitations to the various Governments ourselves and take upon ourselves the liberty of enlarging our Commission, we may become a League competing with the League of Nations, and find ourselves working on parallel lines and studying the same questions. I think then that we should conform more closely to the Assembly resolution and should accordingly adopt M. Mowinckel's proposal. If we think at any given moment that we ought to secure the co-operation of Governments that are not represented here, I think we should inform the Secretary-General of our opinion, so that he may submit it either to the Council or to the Assembly. Otherwise we shall have to find another method of getting into contact with the non-Member States, but this ought not to be by means of a decision taken by ourselves on our own authority to enlarge our Commission.

M. MICHALAKOPOULOS (Greece) [*Translation*]. — In its reply to the memorandum of the French Government, the Greek Government expressed the view that it would be useful to invite Turkey to take part in our discussions. It is the opinion of the Greek Government that, from the economic and even from the geographical point of view, Turkey belongs to Europe rather than Asia. Other Governments asked for the participation of Soviet Russia. The Assembly therefore found itself faced by proposals of which the guiding idea was that Turkey and Russia were connected with Europe by their history and economic relations; the Assembly also found itself faced by a proposal providing for possible collaboration with non-European Members. It was thought that a certain elasticity was necessary in the composition of the Commission and that the possibility of collaboration with non-European Members should not be precluded because, as everyone knows, the economic system is neither national nor European, but worldwide.

In my opinion, it is because the Assembly did not wish to commit itself about the form of this collaboration that it used the word "conjunction" (*liaison*), and we all realise that the question of deciding when non-European Members or States non-Members of the League should be invited is one of expediency.

Another question now arises, that formulated by M. Titulesco — namely, what shall be the form of this collaboration, of this *liaison*? For example, is it conceivable that the non-European Members might form a separate body and that the only *liaison* between us would be similar to that which exists between two army corps? I do not think so. Is it conceivable that the Commission should confine itself to communicating its decisions and conclusions to the non-European Members and States non-Members of the League, and that they should merely be asked to communicate their point of view? In that case we should never finish our work. The simplest and most natural way is to allow these States to attend our meetings.

But when? I think we must make a distinction. Among the States we can invite are some who may be considered as belonging to the European structure because of their history, their relations with Europe, or their economic systems. Those are the States mentioned in the proposals made in reply to the French Government's memorandum. Then there are other States belonging to the world economic system, and, so far as these are concerned, we might postpone our decision by saying that they might also be invited to co-operate with us at a later date.

M. TITULESCO (Roumania) [*Translation*]. — I also think that there are not ten different economic problems but a single one, which is worldwide. It is my opinion, and I have already said so, that a day will come when this worldwide problem will have to be dealt with by a world conference. But this world conference lies in the future. Apart from the worldwide problem, there are regional problems which go to make up the whole problem; there are the regional interests of what is known as Europe. The world conference belongs to the future, the European Conference to the present.

What is our best method of work? Should we immediately convert this Conference, convened to settle regional problems, into a world conference? I think not. Even if this Conference works in conjunction with non-Member States, it has only a European task to deal with. I have been careful to say that no State should be excluded, so that the other States which claim to be European may join our Commission. It remains to be decided in what circumstances they should be allowed to do so, for the expression "conjunction" (*liaison*) is not tantamount to the expression "invitation".

As the world conference belongs to the future, whereas the European Conference is in existence now, the best way of working is that the Commission in its present form should begin the enquiry; when definite problems show us that the collaboration of non-Member States is necessary for our European work, we will convene them.

That seems to me to summarise all that has been said. Differences of opinion have been expressed, but there have also been points of contact. The great thing is to arrange the questions in their proper order, both in space and time.

Dr. CURTIUS (Germany) [*Translation*]. — Will you allow me also to interpret the texts before us? I think we have strayed a little into dialectical intricacies. The suggestion made by the Italian, German and other Governments were clearly meant to secure the participation of the Union of Soviet Socialist Republics and Turkey, both because of their general relations with Europe and their economic relations with the European States. Those were the suggestions before the Sub-Committee which dealt with this question, and also before the Assembly itself. For that reason, the meaning of the resolution adopted by the Assembly is that the fullest liberty should be given to our Commission to decide when, and in what circumstances, we should appeal to these countries to co-operate with us.

As regards the form of the invitation (in the technical sense of the word, to be sent by the Secretary-General, I have no absolute preference, but I do not think that the observations of M. Marinkovitch are well grounded. If we have the right and also the obligation to ask these European States to collaborate in our work I think we have the power, as a Commission, to send them a communication or an invitation to do so.

As regards the form of this *liaison*, I do not think it should be a *liaison* in a small Committee, but a real *liaison*, here, round the Conference table, on a footing of equality with all the other members.

Reference has been made to the possibility of adopting certain resolutions and communicating them to these countries through diplomatic channels. This is not the kind of *liaison* that should be considered in the present case.

I do not think that co-operation would give rise to any practical difficulties; but we shall have to know at what moment we are going to appeal to these two States for their participation and collaboration, and also to decide if we consider this collaboration desirable.

As regards the date, I think that after hearing M. Colijn's statement yesterday we are already well embarked on our economic work because his statement raised the question of economic problems in their entirety, and I think that we can only settle our difficulties with the collaboration of Soviet Russia and Turkey. In my opinion, it is high time to send these countries an invitation to collaborate with us.

As regards the expediency and value of their collaboration, I think that we shall all agree that if we wish to settle these problems, these two countries will have to join us. If we do not come to a decision to-day to invite them to take part in our work, it may happen that these States will refuse their co-operation, at a later date. I therefore consider it absolutely necessary to invite them now, and to the question of expediency I reply in the affirmative.

M. Titulesco has said that we could not consider the collaboration of non-European States non-Members of the League on the same footing as that of European non-Member States, since the position of non-European States Members of the League is quite a different one. I think this observation is justified, and I agree with him. Since non-European States are no more than observers, it is quite obvious that this distinction should be made between European non-Member States and non-European non-Member States.

Mr. Henderson has asked me to extend the scope of my proposal. I am in complete agreement with him on this point; I merely make the reservation that I should have time to submit an adequate draft, but I agree with him in thinking that, as we are about to examine the question of participation, we ought to express our opinion at the same time on the participation of overseas States, such as the United States of America and others.

I must reserve one further question, which always arises when a big conference is to be formed — namely, the participation of Danzig. I shall get into touch with the Polish delegation, which is especially interested in this question.

Dr. MUNCH (Denmark) [*Translation*]. — It appears to me that our Commission is in a rather difficult position with regard to the question of the invitation of non-Member States. If we send those States an invitation to-day, we run the risk of a refusal. So far



as I know, there have been no private conversations with the States in question. M. Grandi told us yesterday that he did not know the opinion of these Governments. On the other hand, if we reject the proposal of Dr. Curtius and M. Grandi we may put difficulties in the way of the future participation of these States. That would be very regrettable.

We are certainly all agreed on the necessity of securing, in one way or another, the co-operation of these States which represent half of our continent. By rejecting the proposal we may furnish further arguments for anti-League propaganda.

This morning's discussion, during which very varied opinions have been expressed, shows that it is very difficult to take a final decision immediately. For that reason, I wonder if the proposal of the Danish Government that certain sub-committees should be set up is not a good way out of this difficulty.

Among these sub-committees there will certainly be one to deal with the organisation of European co-operation, the first task laid upon us by the Assembly last September. The collaboration of the States in question would certainly be a most appropriate subject for this sub-committee to consider.

I do not know if the same would apply as regards another sub-committee which would have to deal with economic questions. It is obvious that the economic system of the Union of Soviet Socialist Republics is of vital importance for the economic systems of other European States. But this sub-committee would first have to deal with questions of commercial policy and the efforts that should be made to conduct the commercial policy of the various European States on more liberal lines. In this respect the situation in the various European countries is completely different from that in the Union of Soviet Socialist Republics, which has an economic system in which the question of a liberal commercial policy does not arise at all, since it is the State that buys and the State that sells.

If these sub-committees are set up, it may be supposed that at least the sub-committee for the organisation of European co-operation will invite the States in question to take part in its proceedings; and that will be a beginning.

Care should be taken, however, not to run the risk of giving offence to the Governments in question or receiving a refusal from them. It would be best to have private conversations with them before the invitation was sent in order to make certain how they would welcome such an invitation.

I do not know when it is proposed to hold another general meeting of our Commission; but it would be useful before our next meeting to get into touch with these Governments, since we should then have sufficient time to come to an agreement with them and perhaps also, by means of private governmental conversations, to arrive at a better measure of agreement between the members of this Commission.

In any case, it would be very useful to decide upon our method of work before taking a decision on a question on which it appears we are not agreed. It will then be easier to see by what practical means we can secure the collaboration of the non-Member States.

Only Turkey and the Union of Soviet Socialist Republics have been mentioned in this discussion. I would remind the Commission that Iceland is also a European State non-Member of the League of Nations; it would be expedient to communicate with her at the same time as with the other States.

*The continuation of the discussion was adjourned to the next meeting.*

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#### FOURTH MEETING (PRIVATE, THEN PUBLIC).

*Held on Saturday, January 17th, 1931, at 3.30 p.m.*

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*Chairman : M. BRIAND (France).*

#### 6. Question of the Participation in the Work of the Commission of European States non-Members of the League (continuation).

The CHAIRMAN [*Translation*]. — This morning you gave me permission, as French representative, to express to you my opinion in regard to the problems before us. I will do this as quickly as possible. At the same time, you must be well aware that the subject being debated is of the very highest importance and we have very carefully to gauge its entire scope, and all its bearings and consequences, which may be more serious than appear at first sight.

In the debate which took place this morning, it was gratifying to note that we all agreed in principle on the necessity of getting into touch with the representatives of other countries, and, in particular — this was the main point discussed — with the representatives of European States non-Members of the League of Nations. I must say, however, that the motion put forward by M. Grandi and supported by Dr. Curtius and Mr. Henderson raises, in the generality of its terms, a twofold problem, constitutional on the one hand and jurisdictional on the other.

What is this body as constituted by the last Assembly? What are our terms of reference? The Assembly thought it very desirable to set up a Commission of Enquiry for European Union.

This Commission, as is stated in the unanimous resolution adopted by the Assembly on September 17th, consists of "the representatives of European Governments Members of the League". Working therefore with the Secretariat it becomes an ordinary Commission of the League of Nations. Unlike the Disarmament Commission or certain other technical Committees, its enquiry, be it noted, is not limited to any particular problem. Forming part of the League of Nations, of which it is an organ, our Commission may take up all the problems dealt with by the League itself, it may operate in every sphere of international activity. The only limit to its enquiry is a geographical one. Such is the situation created by the Assembly of the League. The League, through its Assembly, told us moreover that we might establish contact with other countries so far as we considered it expedient. For instance, we might work with non-European Members of the League, we might also work with European States which do not form part of the League. I think we could even get into touch with other States that are neither European nor Members of the League. But does that mean that we can bring these people into our Commission and make them part of it?

I cannot imagine that the Assembly ever intended that. The Assembly could not have given us such power; otherwise, what would happen to the Commission if we introduced so many other elements? It would become a larger body than the League itself. It would have more Members than the League itself. It would form, side by side with the League, a sort of competitive body, an eventuality which it has always been our desire to avoid. We have been anxious, on the contrary, to work within the League, as part of the League with its usual organs.

The motion submitted introduces into this Commission once and for all, without any limitation of time, and at the very beginning of our work, the European nations which are not Members of the League, and it leaves the way open for bringing in all other countries as well. This would result in a disequilibrium which the Assembly certainly never contemplated!

The Assembly enabled us to invite, in so far as we might consider it desirable, the co-operation of European States not Members of the League. But it desired that we ourselves should be judges of the expediency of such co-operation. It stated that expressly.

If, therefore, at the very beginning we issued to the various States an invitation without any limitation as to time or scope, we should be abandoning this faculty to judge the question of expediency which the Assembly deliberately granted us in order to assist our work. We cannot do that.

Why did the Assembly raise the question of expediency? Surely because there are some points where the proposed contact could not very well be sought. Our Commission, as I said, is entitled to bring up any and every problem dealt with by the League of Nations. Suppose we were carried away by our inclination to seek wider co-operation, an inclination which I myself feel? Suppose the invitation were sent out and were, perchance, received with gladness and courtesy, and these countries came to the table. We might be all discussing an economic question. Good. But we are entitled to bring up any and every problem. Suppose we were discussing some article of the Covenant, and we had to interpret that article. Article 16 happens to occur to me, but others might be quoted, indeed all might be quoted! Representatives of the Soviet Government would be sitting with us discussing the most delicate interpretation of an organic article of the League!

It is sufficient to define the problem, to settle it.

Other questions, for instance, the question of passports, might arise. Do you think that co-operation would be easy on a subject of this kind?

What would happen? Far from facilitating our work, we should have complicated it; far from creating a calm atmosphere which we are endeavouring to do, acting on the invitation of the Assembly, we should have conjured up heavy clouds which would be very difficult to dispel.

I therefore think it is very necessary to keep within our terms of reference. We must not by any means abandon the idea of calling for that co-operation which is contemplated by the Assembly: but to what extent and in what way should this co-operation be realised?

My country also maintains relations with the Soviet Republics. I do not propose to discuss the efficacy of such collaboration, nor measure the degree of courtesy within which those relations are maintained. There are ups and downs, as in all international relations. I might say that our relations with the Soviet Republics give us perhaps rather more surprises than the other international relations. However, that may be, relations are maintained and we must utilise them as best we can.

Nevertheless, if we wish to establish a connection between a Committee of the League and Soviet Russia, the desire must be reciprocal. It takes two to maintain cordial relations. I see that we are disposed to take part in the most friendly conversations but I am not certain that we have yet received an assurance that such a disposition

exists on the other side. I even noticed that our colleague, M. Grandi, commenced, with his great and habitual prudence, by saying: "I make a reservation. I do not know how our invitation will be received. I can guarantee nothing. I can only say that, if made, I hop it will be well received". I quite agree with that!

But — since anything is possible — our invitation might be received with a degree of coolness which, owing to the publicity given to the matter, might be somewhat disturbing. We have not the right to expose the prestige and authority of our twenty-seven countries to a rebuff which, when all is said and done, would be disagreeable. It might be useful propaganda for the other side — but we have hardly created our Union, with the encouragement of the League Assembly, for that purpose. We must therefore take certain precautions.

I think, in short, that we should be keeping closer to the spirit of the Assembly resolution if we extended our invitation only in respect of certain definite subjects. For instance, in beginning, as we have just done, to consider the economic problem, we might tell the European nations not Members of the League that we were quite prepared to establish contact with them and receive their suggestions.

When once that has been done to prove our goodwill, I think we might invite our Secretariat to get into touch with these nations, inform them of the Assembly resolution, and ask them how they themselves regard the possibility of contact and what subjects are of particular interest to them. They would then indicate to us: the problems which they would like to discuss with the European Union. Each subject would automatically be limited as the programme of studies was prepared.

In this way we should avoid the possibility of receiving an unfavourable reply; the next Assembly could not reproach us for having exceeded our terms of reference, and I think that the general tendencies which have taken shape this morning on the question of principle will be fully satisfied.

M. GRANDI (Italy) [*Translation*]. — The statements we have heard have brought out two points very clearly. All the members of this Commission would seem to recognise the desirability of inviting European non-Member States to take part in our work. Certain delegates, however, think it would be preferable to subject our invitation to certain conditions. It may therefore be said that we are practically agreed as to the desirability of inviting these States to work with us, but we are not agreed as to whether they should be placed on a footing of equality with the other Governments represented on the Commission.

I would venture to draw my colleagues' attention to the fact that we are now about to decide a very delicate point. I would also venture to remind them that, at the first session held in September 1930, M. Briand read us a memorandum from the French Government containing the results of the enquiry which that Government had conducted. The report contains the following passage:<sup>1</sup>

"All these opinions seem to show that there is no division on any point of principle in connection either with the participation of the European States which are not Members of the League or with the question of relations with extra-European countries. The Governments will therefore find at their first meeting no serious obstacle to the satisfactory solution of a question which the League itself has already had to solve."

The Italian Government wonders what are the facts which can have modified this seemingly unanimous opinion held at the first session of the Commission. We should be absolutely frank on this point. If we communicate with States non-Members of the League and if we do not invite them to come here on a footing of absolute equality with the other Members, we should appear to be sending an invitation to these States, knowing in advance that it could not be accepted. In point of fact, which of our Governments would accept an invitation containing conditions as to the time of the invitation and the questions to be discussed?

I have listened most attentively to the observations made by our Chairman and, on referring to the resolution submitted by the German and Italian Governments, I must confess that I am not terribly concerned at the fate which may await our invitation. In this connection, I think we ought to make it clear where the responsibility lies. We ought to prove that it is not we who intend to divide Europe, but that by making the first advances we leave the responsibility to those who may perhaps decide not to accept what Mr. Henderson calls our generous offer.

That would make clear who is showing goodwill. We all know that the Commission has very wide terms of reference, but we must not forget that this is a Commission of

<sup>1</sup> "Documents relating to the organisation of a system of European Federal Union" page 72.



Enquiry which cannot take any decision that is not ratified by the organs of the League — the Council and the Assembly — so that there is no need to take any undue account of the probability of a hostile attitude towards the problems we are considering. In that case, it would be for the Council of the League and for the Assembly to examine these questions once more at some meeting not attended by non-Member States, where the whole problem could be considered in the interests of the League of Nations alone. We therefore beg our colleagues to examine this problem in the light of the responsibilities of the European States represented here.

The resolution which the German and Italian Governments have submitted officially after this morning's meeting was worded as follows :

“ The Commission of Enquiry for European Union,

“ Having regard to the resolution of the Assembly of the League of Nations of September 16th, 1930 ;

“ Considering that the co-operation of non-Member European States may be useful to its enquiry ;

“ Decides forthwith to welcome such co-operation and invite the Governments of the said States to participate therein. ”

There is nothing to prevent us in the meantime from continuing our work, but the representatives of Germany and Italy simply ask you to take such action on this resolution as it deserves. That would be a first example of European co-operation.

M. MOTTA (Switzerland) [*Translation*]. — I hesitated for a long time before deciding to take part in this discussion. I do not forget that my country enjoys the very great honour of being the headquarters of the League and I am aware of the obligations which this honour imposes. It is quite evident that if the majority of the Commission decides in favour of this co-operation in the form proposed by certain representatives, my country could adopt only one attitude — namely, to raise no objection to the wishes of the majority.

Whatever our individual feeling may be, and even in spite of the fact that the Swiss Confederation has never wished to establish diplomatic relations with one of the States in question, it is clear that the League must enjoy full liberty of action, and the country in which the League's head quarters are situated could not put any obstacles in the way of the solution which the majority of States Members considers necessary.

It is not my intention therefore — and in this I associate myself with our colleague, M. Titulesco — to place a ban on anyone, but I think that a very serious constitutional — or if you prefer it, jurisdictional — question, has been raised by M. Briand, and I also wish, after the remarks which have been made in this discussion, to explain my attitude on this point.

Before doing so, I would beg to remind you of a fact which is not unimportant. The Assembly resolution was voted without any preliminaries. It was never discussed in any Committee. Personally, though my attitude may be of little interest and may even be regarded as unfriendly, I thought that it would have been better to have followed the usual course and to have submitted the draft resolution to the Sixth Committee. For reasons which had to be respected and to which, on behalf of my country, I bowed, the resolution was voted without discussion in Committee. It would not therefore be quite correct to say that any Committee or Sub-committee considered the resolution from the particular standpoint of the co-operation of States Members and non-Members.

That being so, the constitutional question is of paramount importance. Those who have carefully studied, as we have all studied, the replies of the Governments to the French Government's Memorandum, must have been struck by the fact that the main preoccupation of all Governments was to make sure that the future organisation should never directly or indirectly come involuntarily into opposition with the organisation of the League. The dominant thought in the Assembly was this : A European Commission if you like, but a Commission forming part of the League of Nations. No special mechanism extraneous to the League.

This is first and foremost a Commission of the League of Nations. If I may say so to M. Marinkovitch, it is a Commission independent of the Council. I do not admit that our discussions should be subject to examination by the Council. This is an autonomous Commission but a Commission of the League.

This Commission is not limited as to time or jurisdiction. We might even one day discuss the Articles of the Covenant. Reference has been made to Article 16 : some other article might come under discussion as well. The deliberations of the Commission therefore are of primordial importance to the very existence of the League.

Under these circumstances, could we possibly agree to invite other countries not Members of the League to sit with us on absolutely equal terms ? We should be running the risk of distorting the very nature we wish to confer on all the studies for European Union by converting the idea of the European Union into a conception lying outside the League of Nations. Nobody, I think, desired that.

Though it is permissible, therefore, that, in certain definite circumstances and for certain definite problems, we should invite co-operation, it is obviously not possible to call upon States non-Members of the League to sit as full members of the Commission. The only way open to States which take an interest in our work is to become Members of the League itself.

That is why I personally think, in all sincerity and solely from the firm standpoint of our earnest desire to work for better European organisation, that if there is to be any co-operation, it can only take place in the form suggested by our Chairman.

M. TITULESCO (Roumania) [*Translation*]. — I think we might reach a unanimous decision if we had before us a definite text of a resolution summarising the points on which we are agreed because, as I said this morning, there are points of agreement among us than of disagreement. I therefore venture to submit the following draft resolution :

“ The Commission of Enquiry for European Union,

“ Asserting its intention, in accordance with the Assembly resolution of September 16th, 1930, of carrying out its work with such assistance as may be necessary for the progress of that work ;

“ Expresses the desire to secure the co-operation of non-Member European States in the examination of the results of the Economic Conference, a question which is already on the agenda.

“ Wishing to ascertain the feeling of the non-Member European States with regard to this co-operation, the Commission requests the Secretary-General, to communicate to the States concerned the Assembly resolution dated September 16th, 1930, and to ask them to state on what questions they consider such co-operation to be desirable.”

Mr. HENDERSON (British Empire). — I have not risen to submit another resolution. I do not believe that wisdom always lies in a multitude of resolutions. I have risen to make a suggestion. If we could pass from the general to the concrete, we might be able to reach some agreement, and I am anxious to know what would be the attitude of this Commission to inviting some of the non-European States to study the great problem brought so eloquently before us yesterday.

There is scarcely any problem of greater importance to all of us to-day than that of the present world economic situation. That problem is in no way restricted to Europe. A great deal of water has flowed under the bridges since our Chairman, on behalf of his Government, first called us together in 1929, to consider this subject. He could not foresee, nor could his Government foresee, the awful economic position in which the world would find itself in January 1931, but we are compelled to face that situation. I am not sure that even in September last there was not an idea of this, because the Assembly resolution contains certain words which I am going to quote, but which were not in the first draft of that resolution and must in consequence have been included for some reason. Those words are : “ In so far as such co-operation may seem to them ” — that is, to the members of this Commission — “ to be useful for the pursuit of their enquiry ”.

Are we only to hear M. Colijn? Is that the end of the matter, or are we to subject this question to what I hope will be a very searching enquiry in order to ascertain how far we can co-operate? If we do intend to have such an enquiry, is there anyone who doubts for a single moment that we must have the assistance of the Powers referred to in the resolution submitted by Dr. Curtius and M. Grandi, or who thinks that their assistance in the study of this matter would be other than useful?

Unless we decide that point to-day, unless we decide to extend to the States in question an invitation to join us and study this one question, the opportunity may be lost for ever. Whilst I have much sympathy with the position stated by the Chairman, I think it is just possible that if we could appoint a sub-committee and adjourn the matter for a few hours, we should probably reach an agreement, provided we are ready to seize this opportunity, to invite these Powers to co-operate with us for this special purpose of studying the present world economic situation.

This would be an experiment. It might be a very useful experiment. It might be so educational that either we should feel afterwards that we should be making a mistake if we did not invite these States to participate with us when considering other subjects, or we should never want to have them here again. I have had a little experience in dealing with some of those whom we might invite here and I do not delude myself with the idea that we shall have the very best of bedfellows. But that should not deter us from trying to secure proper international co-operation, which in my opinion, is the basis of all the League's work. Would it not be possible to amalgamate our Chairman's idea and the suggestion which I have just made, and so reach an agreement, which would be better than having a few votes cast on one side or the other? I think we might ask those responsible

for the resolutions to consult with the Chairman and see if they cannot produce a text which would probably be unanimously accepted at our next meeting.

*Mr. Henderson's proposal was adopted.*

*The Commission decided to appoint a sub-committee for this purpose consisting of the following members :*

M. BRIAND,  
Dr. CURTIUS,  
Mr. HENDERSON,  
M. GRANDI,  
M. TITULESCO,  
M. MOTTA.

(The Commission went into public session).

**7. Economic Situation. Discussion in connection with the Statement by M. Colijn, President of the Second International Conference with a view to Concerted Economic Action.**

Mr. HENDERSON (British Empire). — I feel sure that everyone here was deeply impressed by M. Colijn's masterly speech. In opening the discussion, I desire to express to him my deep gratitude for his clear and arresting statement, and to assure him that he will receive the fullest possible support both from myself and from the Government which I have the honour to represent.

The question of these economic negotiations over which M. Colijn has presided with such skill and patience, is not new to any of us, though I frankly confess that even I — although I am a colleague of the President of the Board of Trade — was unaware, before I heard M. Colijn's speech, that the case was so strong.

May I briefly refer to the order of these events? M. Colijn began with the Economic Conference of 1927, and reminded us that that Conference had reached certain very definite conclusions. The central theme of those conclusions is, as he said, that trade barriers, and in particular Customs tariffs, are too high and ought to be reduced. The Conference urged that if the nations were to achieve that economic prosperity which might be theirs, the barriers to international trade must be reduced. The details of that Conference may have faded from our minds; but we do remember that it was a Conference of the highest possible authority representing every shade of economic thought and every variety of business and economic interest. Indeed, it may be said that because of its great authority the Council and the Assembly accepted the Conference's conclusions and nearly all the Governments of the States Members declared their firm intention of making their policies conform to its recommendations.

As M. Colijn reminded us, in that same year 1927, twenty-nine Governments, among whom twenty were European, officially declared that they accepted the principles put forward by the Conference. Most of these Governments categorically stated that they intended to apply those principles in their own autonomous policy, as well as in their relations with other countries. Quite apart from what they were prepared to accomplish in the sphere of their own home policy, they were willing, they said, to co-operate in any concerted action undertaken by the League for the application of the Conference's proposals.

Those declarations were in the nature of pledges. They held out a promise to the peoples, a hope to other Governments, a hope to the Assembly and the Council of the League, that the work of the Economic Conference would not be entirely in vain.

Those pledges, M. Colijn has told us, are still unfulfilled. I know there have been great difficulties. M. Briand spoke of secret springs in the locks which we must open. There are secret springs, vested interests to be overcome. There are traditions and widespread beliefs which must be altered or abandoned. But our Governments were already aware of all this when they undertook to seek out means for the execution of this policy. They already knew, when they gave those pledges, that great difficulties would have to be overcome. In that case, it may be said, how could they give such pledges?

They gave those pledges because the authority of the Economic Conference had convinced them that, at all costs, the difficulties must be overcome and trade-barriers must be reduced. It was essential then that trade barriers should be reduced, and it is, for two reasons, equally essential to-day.

First — and this is a particularly important point, because each one of us represents the interests of his own country — the reduction of economic armaments would be to the advantage of every single country. I know very well that in this matter, as in military armaments, reduction of the so-called "National defences" is often referred to as if it were certain to create international insecurity and expose countries to invasion and attack; as if it were, in fact, a prelude to national disaster. I am convinced that that would not be so, even if one single nation were to reduce its trade-barriers by isolated action. But here we are not concerned with isolated action, we are concerned with collective action

which must, by its nature, bring benefit to each and to all by allowing that expansion of production and international exchange of wealth by which the common prosperity of all can be increased.

In the second place, the adoption of this policy is essential in the interests of our continent as a whole, and therefore of the world at large. M. Colijn has forced us to consider what is the alternative to this policy which he urges.

What will happen in Europe if these tariff negotiations fail? The answer to this question is vital. What M. Colijn said about the unchaining of national passions is certainly most alarming. He warned us, in the clearest possible terms, that unless this policy makes progress, economic nationalism may triumph even in those countries where at present a more moderate attitude prevails. Sooner or later, he said these countries "will no longer be able to resist the protectionist forces developing within them". I endorse his warning, and I reiterate his fear that failure in this policy may lead to a general European tariff war the effect of which on the European situation would be very grave indeed.

I want therefore to make an earnest appeal to the Foreign Ministers assembled in this Committee to consider this matter in the light of M. Colijn's observations and then see what action they can take when they return to their respective countries. I ask them, as he asked them, not to accept the view that this matter concerns the Ministers of Commerce alone. There are some among us whose countries have been engaged in tariff wars with neighbouring States. They know that such tariff wars affect not only the economic prosperity but the wider international policy of the Governments engaged. I hope they will go back from this Committee resolved to ask their Governments to consider the subject afresh, in the light of the purpose for which we have assembled here.

We are considering European co-operation in the broadest possible sense. M. Colijn has drawn our attention to a series of negotiations which have become European by a process of natural selection. Those negotiations have for their purpose the promotion of a common interest, economic and political, the reality of which none would venture to dispute. They are the result of four years of careful preparation. They come at a time when all Europe is smitten by disaster — a common economic disaster — recovery from which can only be aided by common action.

Finally, may I say that one of the ways in which our Governments can help towards economic recovery is by restoring confidence, by proving to the peoples that our promises of co-operation were sincere? There can be no proof more effective than successful co-operative action. If, in this sphere, after such careful preparation, we cannot succeed, then I confess that I shall almost despair of any efforts to promote closer and truly amicable European co-operation. My last word is that I still hope, as M. Colijn does, that we shall go from here resolved that this great policy shall not fail.

M. MARINKOVITCH (Yugoslavia) [*Translation*]. — I wish first to thank M. Colijn for the sincerity with which he has described the efforts made by the various Economic Conferences to set international economic relations on a more reasonable basis. I am particularly grateful to him for this act of courage and probity; it is indeed an act of courage and probity on the part of a man who has taken such a leading part in these efforts to confess the mediocrity of the results obtained. I would venture to draw from M. Colijn's observations certain conclusions which I think are unavoidable and which it would be helpful to recognise.

M. Colijn mentioned in his report the very imposing machinery with which the work was begun and what legitimate hopes of success we held in 1927 when the great Economic Conference met. More than two hundred experts representing all the branches of economic activity and the leading economic interests of Europe and the world were met in conclave. They adopted unanimously a number of resolutions. The Council and the Assembly, delighted with the result, approved those resolutions. Twenty-nine Governments, including twenty European Governments, accepted them and officially declared that they were prepared to bring their economic policy into harmony with them. Three years have elapsed and absolutely nothing has been done!

The situation may be regarded in various ways. Some may say with anger that the Governments entered into their undertakings too lightheartedly and have not made a sincere effort, and may express the hope that, at the last moment, the Governments will reconsider their position and do their duty. I venture to reach quite a different conclusion. If the resolutions of 1927 were not carried out, it was because it was impossible to do so. Everything necessary for their execution, the high authority of those who drafted the resolutions, the authority of the Council and the Assembly of the League, the goodwill of twenty-nine Governments, everything was there; and yet the result was nil. We may conclude, therefore that there were extremely important reasons why the Government could not apply the resolutions of the 1927 Economic Conference.

M. Colijn told us at the beginning of his statement that he was not bringing us a key for the secret lock to which the present desperate economic situation may be compared.

He proved to us however that we ought not to look for that key where we have been looking for it. The Economic Conference of 1927 thought it had found the key. It said to us: "Do so and so, and the economic situation will be excellent." We have not been able to do what it recommended. The key did not work.

The fact is, that apart from economic considerations there are also political and social considerations. The old "things-will-right-themselves" school of economists argued that if nothing were done and events were allowed to follow their natural course from an economic point of view, economic equilibrium would come about of its own accord. That is probably true (I do not propose to discuss the point). But how would that equilibrium come about? At the expense of the weakest. Now, as you are aware, for more than seventy years there has been a powerful and growing reaction against this theory of economics. All the socialist parties of Europe and the world are merely the expression of the opposition to this way of looking at economic problems.

We were told that we ought to lower Customs barriers and even abolish them. As far as the agricultural States of Europe are concerned, if they could keep the promises they made in 1927 — admitting that the statements of 1927 did contain promises — and could carry that policy right through, we might perhaps find ourselves able to hold our own against overseas competition in the matter of agricultural products. But, at the same time, we should have to sacrifice four-fifths of our population; we should have to create in Poland, Roumania and Yugoslavia the same conditions as exist in Canada and the Argentine, where vast territories are inhabited by a scanty population and where machinery and other devices are employed. Obviously none of us could decide to adopt a system which would be very like Moscow's five-year plan. We would not sacrifice our people by shooting them, but they would nevertheless be killed off by famine — which would come to the same thing.

I am sure that the key to which M. Colijn has referred does not exist. Economic and social life is too complicated to allow of a solution by any one formula; it calls for complicated solutions. We shall have to take into account the many varieties of geographical, political, social and other conditions which exist.

I do not think that the economic experts have yet understood this truth, which is a very simple one. This view is supported by the statements made at the last Economic Conference at Geneva. The agricultural countries, which are in the throes of a very severe crisis because they cannot find any outlets for their cereals and cannot compete in the open market with overseas States, came to Geneva with several resolutions, the adoption of which would, they thought, improve their position to a certain extent. I do not know whether they were right or wrong, but I do know that these schemes were discussed in a manner which absolutely precluded any satisfactory result.

I will merely refer to the question of preferential tariffs. The Conference discussed two principles on theoretic and academical lines. It compared the resolution asking for preferential tariffs with the principle of the most-favoured-nation clause. On the premise that that clause must be intangible, it refused to consider the possibility of establishing, for certain products, a preferential tariff in favour of the Eastern European States. That, I think, was too absolute an attitude, and it will lead nowhere.

In the first place, the most-favoured-nation clause is not so transcendental as some would have us believe. There have already been derogations. For instance, an exception has always been made in the case of frontier traffic and it has been observed in practice that such an exception did not in any way hinder the application of the clause. In other treaties there are other exceptions. In our Treaty of Commerce with Spain there is what is known as the Iberian Clause. Spain does not accord us the benefit of the most-favoured-nation clause for the advantages she accords to Portugal. Nevertheless, we signed the treaty and did not find the exception so very extraordinary. We did not say "Since you do not accept the most-favoured-nation clause in all its entirety we cannot sign."

I remember that, in 1881, Austria-Hungary concluded with Serbia a treaty of commerce which excluded the benefit of the most-favoured-nation clause in the case of several articles of great importance to us — wheat, maize, barley, pigs and prunes. This result was obtained simply by extending the conception of frontier traffic to the whole of Serbia. Serbia was a small country, but there were nevertheless 350 kilometres between Belgrade and Vranja, so that it was an exaggeration to treat the traffic of the whole country as frontier traffic. Other States which had concluded treaties with Austria—Hungary containing the most-favoured-nation clause might have had some feelings on the matter. Even at that time there were a number of intelligent people about, who naturally perceived that this as a derogation to the most-favoured-nation clause. But they did not protest because they looked at its practical effect. In point of fact, economic concepts are only of importance in so far as they have a practical value. If an economic principle does not affect you, you can accept it; but when once your interests are involved, it assumes quite another aspect.

Consequently it was an absolute exaggeration to hedge oneself around with the most-favoured-nation clause as an intangible principle and refuse to consider, with all due care, what might be done, without affecting the general scope of that clause, in view of the geographical position of the European nations exporting agricultural products.

When the European nations asked for a preferential tariff for their cereals, the request seemed to be an enormity so long as mere principles were under discussion. It was immediately objected that the United States of America would never agree. Delegates asked what Canada and the Argentine would say. But when the question is dealt with



on a practical basis, it will seem that an arrangement is perfectly feasible with Canada, with the United States, and even with the Argentine, since we are not competitors of those countries, whereas they are our competitors, and it is owing to them that we are unable to sell our products. Our exports are so small that they do not represent even one-tenth of the requirements of the industrial European countries. Now we sell one-tenth already; on good or bad terms, we sell it. Consequently, the oversea States would not lose anything if they were to ensure us a market for this part of our production.

When we first launched this idea after the Conference of Strbsko-Pleso, the Ministers of the various countries accredited at Belgrade immediately came to enquire what was happening. When we had explained the situation to them they were obliged to recognise that the matter did not really concern them, and was only of importance to European countries.

I think, personally, that the experts were not justified in hedging themselves round with this principle and refusing to consider an important and essential question for the European countries exporting agricultural products. If we continue to act thus, ignoring the requirements of others, and insist upon carrying out the 1927 resolutions in the form in which they were adopted, we shall not succeed. Even if, with all the goodwill in the world, we renew the promises made at that time, those promises will not be fulfilled. If we are unable to obtain markets elsewhere in Europe, we shall endeavour to obtain them in our own countries, to increase the number of consumers at home by creating industries and raising our Customs barriers still further. That would be the result, and no prediction of catastrophe following upon a Customs war could daunt us. Such warnings would fall on deaf ears because we have in any case to choose between one of two catastrophes — the catastrophe of the present and that of the future.

Last year, when I was in the Yugoslav mountains, I heard that the inhabitants of a small mountain village, having no maize or wheat on which to live, were simply cutting down a wood which belonged to them under a decision of the Council of State and were living on what they earned by selling the wood. Unfortunately, the forest grew smaller and smaller. I went to the village, collected together some of the leading inhabitants and endeavoured to reason with them, just like the great industrial States reason with us. I said to them: "You possess plenty of common sense. You see that your forest is becoming smaller and smaller. What will you do when you cut down the last tree?" They replied to me: "Your Excellency, that is a point which worries us: but, on the other hand, what should we do now if we stopped cutting down our trees?"

I can assure you that the agricultural countries of Europe are in exactly the same situation. You threaten them with future disasters; but they are already in the throes of disaster. The agricultural countries are unable to make both ends meet, and cannot buy from the industrial countries of Europe.

May I, without offence, appeal to your self-interest? I believe that this policy of the great European States is not merely unjust but unwise, for, after all, we are their customers. The European States, and particularly the great industrial States, certainly have interests outside Europe, but one-half of the markets of the greatest and most prosperous of these States is in Europe. For instance, we buy from 90 to 95 per cent. of our imports in Europe. If we are unable to buy, you will have three, four or five million unemployed. In order to buy, however, it is not enough to need goods and to be willing to buy them: one must also have the wherewithal to purchase.

In the present state of affairs, if some means is not discovered of overcoming the present crisis and enabling us to a certain extent to alter the nature of our production (which in any case will require time), we shall be very poor customers and the industrial States will be obliged to seek elsewhere the markets which we have hitherto provided.

I think therefore that, as a gathering of European nations, we ought to deal with the present European situation, since nobody else is willing to do so. Mr. Henderson referred to "natural selection", and showed that the various international economic conferences have gradually become limited to European States. This is not a case of natural selection, but, since the other countries do not desire to deal with the question because they think that they are unaffected and that for them the danger is still distant, we Europeans are entitled, and indeed bound, to fend for ourselves.

We invited the other Powers, but they did not accept the invitation, because they were quite well off and proposed to continue their policy, which was certainly not one of free trade. I feel bound to point out that, at the present time, European States do not occupy quite that paramount position they enjoyed fifty years ago, and even perhaps before the war, a position which would have allowed them at that time to inaugurate and apply a free trade policy. They wished to obtain for this purpose the consent of countries outside Europe, as you see, the latter are not even inclined to come to a conference. If, therefore, we defer all attempt to discover a remedy for the present economic crisis until the United States of America and certain European countries have learned by bitter experience — as they will, sooner or latter — the results of over-selfishness in economic policy, it will perhaps be too late. Small countries may be selfish, because their attitude does not affect the general economy of the world; but a great country cannot afford to be selfish, because it would be working against its own interest. The policy of self-enrichment leads to the impoverishment of customers and to the creation of mass of ruined debtors,

We cannot await the result of such experiences, before putting the affairs of Europe in order; we ourselves will have to put them in order. Certain things can be done but we must rid ourselves of that spirit of exclusive orthodoxy which regards every new solution as a heresy. For a new situation, new remedies must be found.

M. Colijn spoke of bilateral treaties. I think that, working here on the European Commission, it would also be an excellent plan to organise meetings between groups of two or three, to discover a solution for certain questions which we might then examine together. But so long as certain States maintain an uncompromising attitude — for instance, as regards this question of the most-favoured-nation clause —, they will prevent the conclusion even of bilateral treaties because a great industrial State which would otherwise be prepared to adopt that course might hesitate in view of the attitude of other States and of the complications that might ensue if it granted concessions regarded by others as contrary to the most-favoured-nation clause. I am convinced, therefore, that, without waiting for anybody and without convening those who take no interest in the question, the representatives of the States here present ought to do something more than recommend to their Governments or their Ministers for Foreign Affairs the execution of the resolutions of 1927 which are — at any rate, as far as we are concerned, as I already pointed out — entirely impracticable. Moreover, no one is making any attempt to carry them out, and we must seriously consider practical means of solving the European economic and Customs problems.

Of course, that would involve a sort of European Union; but when we employ this expression we always think of it as a sort of uniform system in which the relations between the members would always be the same and all work would be done in accordance with a general plan. I do not think that such a scheme of things would endure for long. Nothing durable in history has been the result of a preconceived plan, but has always grown up through the action of intelligent persons who have, according to the needs of the moment, gradually built up something which has at last become a great achievement.

I think that, sooner or later, we shall succeed in establishing a European Union, at any rate in the economic domain, organised roughly on the same lines as the British Empire. All the members of this Empire are in different situations. The whole Empire is quite illogical, but it is the result of living forces. That is what ought to happen in Europe as between the European States. We must, however, agree to help each other and work for our mutual enrichment. That is the only truth in political economy: It is only possible to acquire wealth by helping others to become wealthy also.

The European Commission ought to examine the problem in the light of this, the only rational principle, but I suppose that, in this enquiry, we ought not to introduce political considerations.

I have examined the Danish proposal which suggests a sub-committee for economic questions consisting of the four great Powers and several other States. The countries which are not represented on the Economic sub-committee would be represented on the Political sub-committee. I have not much confidence in that suggestion. If I were ill and needed treatment, I should not ask whether a doctor was a national of one of the great or small Powers; all I should ask for would be a good doctor.

When we appoint the sub-committee to study the organisation of economic relations between European States, I hope we shall choose those persons on whom we can rely, who know their subject, who are determined to draw up a plan and carry it through, and I hope that those persons will be chosen irrespective of whether they are nationals of great or small Powers. It is quite immaterial that any given country should be represented or not represented. The only requirement is that States with preponderating industrial interests should be represented on this sub-committee, together with the States whose interests are mainly agricultural, because, however great an expert a man may be, he is always influenced by his immediate surroundings, which he knows better than other facts or regions about which he has only read.

That is the only condition I would lay down regarding the composition of the sub-committee. We cannot merely approve the resolutions of 1927 and recommend States to accept them. We must decide to set up a sub-committee which would be required not to seek for one single, non-existent master-key, but to manufacture a whole bunch of keys such as every good housekeeper cherishes, that will open all the necessary locks and enable us to work and prosper in the economic field.

M. COLIJN (President of the Second International Conference with a View to Concerted Economic Action). — I should like to make a few remarks in connection with what has been said by the last speaker. My feeling is that, even if the difficulties of the agrarian countries of central and south-east Europe were settled, the general economic situation of Europe would still be one of grave depression. Although I entirely agree that we shall have to seek for a way out of the difficulties in which certain countries find themselves, I consider that even if these difficulties are solved, we shall still be faced with a very serious economic problem. I am also of opinion that the dangers and the effects of the protectionist policy pursued by so many countries have been underrated.

In order to make my meaning clear, I will quote the example of the sugar industry. There is in Europe a country which is at present losing at least £3,000,000 on its sugar exports. I know another country in Europe which is losing at least £6,000,000 a year on its

sugar exports. How can these countries possibly go on exporting a product on which they are losing so much ? It is very easy provided the tariff barrier is high enough to make it possible to make good the losses on exports by selling the sugar on the home market at any price you like. That is what some countries have done.

What is the result of that policy ? Production, of course, continues all the time, and that has led us, in regard to this particular product, to the position in which we now find ourselves ; as a result of the protectionist policy there is such enormous over-production that the producers have met together, I might even say have come to their senses, in order to see what means they can discover of restoring the equilibrium between production and consumption.

In my opinion, much of the trouble we are experiencing at present is due to that fact but not to that fact alone, for there are other causes as well. In general, however, the equilibrium between production and consumption has been destroyed. Immediately after the war, the situation was as follows : There was such an enormous demand for all sorts of goods, especially for raw materials and foodstuffs, that production increased enormously, far beyond the limits of normal consumption. This increase in production was not noticed at the time since, in the years immediately following the war, the demand was so great that it swallowed up the surplus production which in normal circumstances would not have been required. What did certain countries do when, in 1922, the first signs became visible of a forthcoming disturbance of the equilibrium between production and consumption ? They erected barriers in order to try and avert the consequences of the situation for themselves, but, in most cases, the outcome was that, as a result of these higher barriers, production within the barriers increased as well. That is the situation with which we are faced at present.

In my opinion, the only way out of this situation, in so far as one can speak of an only way, is to try and restore as far as possible the equilibrium between consumption and production. The producers have achieved that result in the case of sugar. Would it be entirely impossible for somebody or other in Europe, which is fully acquainted with all the intricacies of the matter, to do the same in the case of cereals ? There is the International Institute of Agriculture at Rome, which is concerned with agriculture in general, and is certainly in a position to study the question. I am informed that, if production were curtailed by 10 per cent. for one year only, the whole surplus would disappear. If that is so, it is, I think, certainly worth while to carefully study the problem.

That, of course, would still not solve the problem brought forward by M. Marinkovitch. The fact would still remain that in a great many countries, with a total population of about 75 millions, the situation would be such as to demand an improvement.

M. Marinkovitch criticised the position taken up by certain countries in dealing with the question of preferential treatment. He was of the opinion that these countries clung too firmly and too resolutely to the most-favoured-nation clause and its orthodox application and interpretation. M. Marinkovitch seems to me to have overlooked one fact. The countries who took up that attitude were, I think, concerned less with the orthodox interpretation than with the necessity for ascertaining the opinion of those countries with whom they had concluded commercial treaties on the basis of the most-favoured-nation clause. If, in the opinion of a partner with whom you have a contract, you propose to withhold from him most-favoured-nation treatment, you will certainly not receive from him most-favoured-nation treatment as soon as he realises the fact. That fear was in existence all the time, and therefore the general opinion was that preferential treatment could only be given if it were certain that the countries with whom a treaty had been concluded on the basis of the most-favoured-nation clause would not object to the granting of such preferential treatment. Moreover, these countries had no duty on cereals and were therefore not in a position to give any preferential treatment. The situation at the last Conference therefore was such that it was very difficult to find a solution which would be agreeable to the countries asking for preferential treatment.

I do not think, however, that the last word has been said on this question. But before we can go into the matter and consider seriously the possibility of giving preferential treatment, it will, I think, be absolutely necessary to have a clear idea as to the interpretation and application of the most-favoured-nation clause. I know that the Economic Committee of the League has been working on this subject for a long time past and I am informed that we may possibly have their opinion on it about April next, so that it should then be possible to investigate the matter.

We all know, of course, that preferential treatment exists. It exists between Great Britain and its Dominions ; it exists between Spain and Portugal. We also know all about the Baltic clause. It must be remembered, however, that between Great Britain and its Dominions there is a political bond ; between Spain and Portugal there is a geographical bond, and the same may be said of the Scandinavian countries. Whether we could go so far as to accept a bond of that kind, between, say, a country such as France or Germany and countries such as those in South-East Europe, I for one am still very doubtful. I am not at all sure at present whether that would be compatible with the interpretation and application of the most-favoured-nation clause as applied up to the present.



Even so, I consider that no investigation into the application and interpretation of the clause will be possible unless we first obtain a certain measure of stability, tranquillity and security in Europe. These conditions, must be established before we can seriously take up any of the other problems : that is why yesterday I urged so strongly that the first thing to do was to get the Commercial Convention put into force. In order, however, to get the Commercial Convention put into force there must be a reasonable prospect of success for the bilateral negotiations which have been set on foot. Only if that is done, and done as the first step, can we deal with the questions brought forward by M. Marinkovitch.

In connection with high protective duties no one can, I think, doubt for a moment that these duties cannot under any circumstances avert the unpleasant consequences of a constant fall in world prices. We have seen that for some time past and in particular with regard to sugar, which affords perhaps the best example I can quote. If the sugar producers had not agreed upon a restoration of the equilibrium between consumption and production, the price of sugar would certainly have fallen considerably more than it has done so far. It will continually be necessary to raise Customs barriers higher and higher, and the same will happen when production increases. It is not possible to avoid the disastrous consequences of a constant fall in prices merely by continually erecting higher barriers. I therefore adhere to my opinion that one of the means, though not the only means, of reviving a reasonable measure of prosperity in the world and in Europe in particular, is unquestionably the gradual lowering of high tariff barriers, though in conjunction, of course, with other measures.

I am sorry that I am obliged to leave to-morrow, and shall be unable to hear the rest of the debate on these questions. I wished at least to make my point of view clear, especially as M. Marinkovitch has expressed the opinion that the States which met under my chairmanship failed to deal in the way he desired with a problem which lies so close to his heart. I understand his point of view, but I am equally convinced that the States which took up the other point of view could not act in any different manner.

The CHAIRMAN [*Translation*]. — On behalf of the Commission, I thank M. Colijn for his very interesting communication. We are very grateful to him for having so kindly spent his last hours at Geneva with us. We deeply regret that his departure will deprive us of his valuable assistance.

*The continuation of the discussion was adjourned to a later meeting*

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#### FIFTH MEETING (PUBLIC)

*Held on Monday, January 19th, 1931, at 4.30 p.m.*

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*Chairman : M. BRIAND (France).*

#### 8. Economic Situation : Discussion in connection with the Statement by M. Colijn (President of the Second International Conference with a View to Coordinated Economic Action) (continuation).

M. MOWINCKEL (Norway) [*Translation*]. — M. Colijn's statement has certainly made a very strong impression on all the European representatives assembled here. We are all anxious to bring together the European countries, great and small, with the object of facilitating their reciprocal economic relations. We had hoped that, even if the existing obstacles which hamper their trade could not be removed at once, we could in any case reduce them. It is with disappointment that we have been obliged to note that we have made so little progress.

M. Colijn has shown that the first Conference for the Customs Truce to which all countries were invited, was, by a process of natural selection, composed almost exclusively of European countries. This proves that the European countries are those which at present feel the greatest need for co-operation. The Commercial Convention of March 24th, 1930, represents a first attempt to create a basis for the solution of the difficulties that obstruct the economic life of Europe. There are certainly many among us who hold that if we are unable to reach any settlement for Europe, success will not come more easily in an even wider field. It was therefore somewhat surprising, and I think that many delegates share my view, to hear the question of extending our discussions raised the very day after M. Colijn made his statement on co-operation between European countries; it is apparently proposed to hold a sort of new world conference, even before we have really begun to explore the practical possibilities of closer co-operation between the Governments represented here.

M. Colijn told us explicitly that, in his view, the only hope — pending the coming into force of the Commercial Convention — now lay in the success of the bilateral negotiations

which are to be held. We are therefore confronted with the following question: What will be our position if our hopes are not fulfilled and if the Commercial Convention does not obtain the necessary ratifications? Shall we have to relinquish the work we have undertaken? Or shall we seek salvation in a world conference from which, as experience has sufficiently proved, experts, or as M. Colijn said, the other Ministers of State will evict the Ministers for Foreign Affairs.

This great idea of closer co-operation between the European countries Members of the League in the economic field, more particularly in questions of commercial policy is, in reality, a political question. The future of the peoples of Europe depends on the realisation of this idea. I might even go so far as to say that it carries within it the germ of the solution of the problem of peace.

I believe that real and effective military disarmament, in which all States are so deeply concerned, will be difficult to achieve so long as the international tension in economic affairs remains as serious as it is to-day. Moreover, if the economic tension could be lessened and if Customs barriers between the European States could be lowered the natural result would be to develop mutual feelings of understanding and friendship, of which military disarmament would be a logical outcome.

It was considerations of this kind which led M. Briand to make his suggestion and I imagine that the idea that took him to Locarno was the same as that which led him to take this fresh initiative — namely, his conviction that understanding and friendship between the peoples of Europe is the foundation of world peace. I could not accordingly suppress a feeling of disappointment when I heard it suggested — unquestionably, with the best intentions — that we should seek a solution outside of what should, to put it briefly, come first. We have a saying in Norway: "Sweep your own doorstep first. If you cannot do so, it is certainly not worth while trying to sweep someone else's."

I revert, however, to the question I put just now. What should we do if, unhappily, the Commercial Convention failed to become a living reality? Would it then be possible, using perhaps more modest means, to do something which might show the peoples of Europe that in their efforts to bring their nations nearer together the statesmen have been doing something besides clothe a pious aspiration in fine words?

Last autumn, the President of the Board of Trade of Great Britain, Mr. Graham, raised the question of a reduction of tariffs for certain groups of commodities. It would be highly desirable and most important that this idea should be carried out in practice.

There are, however, other possible solutions not altogether disconnected with the ideas on which Mr. Graham's speech was based. Our Chairman, without going into details, has referred more than once to the question of agricultural credits as between the European countries, or between those of them which most need support, to enable them to surmount the peak of the present crisis. A practical solution in this matter would represent a very important and useful piece of common work.

In this connection, I take the opportunity to mention the Convention that has just been signed by Belgium, Denmark, Luxemburg, Norway, the Netherlands and Sweden, countries whose aggregate exports exceed £550,000,000 sterling and whose commercial fleet amounts to nine and a-half million tons. The Convention provides a practical application of the idea on which the Commercial Convention and the suggestions of M. Briand are based. It might even be said to be the direct outcome of M. Briand's suggestions. I wonder, then, whether it would not be possible to seek for a similar solution between other European States where the special conditions are favourable. Perhaps we might try as well to extend the Convention that has been concluded so that it would apply to an ever larger number of European States.

Under the Convention to which I have referred we undertake to reflect before making any further extension of the protectionist Customs policy which unhappily has been so predominant in Europe these last ten years. Under our Convention the parties agree to advise the other parties beforehand whenever they propose to increase their Customs tariffs. The other parties must be given an opportunity of asking for an exchange of views within the brief time-limit laid down by the Convention. Under it, none of the parties is deprived of the right to take a final decision, but the exchange of views with the other parties might possibly lead to the relinquishment of the proposed increase in the Customs tariff.

This Convention is in no way exclusive. One of its clauses explicitly provides for the accession of other Governments. From what I have said, you will readily see that this Convention does not go so far as the Commercial Convention of March 24th, 1930, and does not tend to rob the latter of its utility.

The Convention to which I have referred may not perhaps seem to you to be of very great significance. I venture, however, to think that, in point of fact, it may be the first real step towards co-operation between the European States that have signed it, since they have considered that friendly and confident understanding is at present the essential solution.

I shall make no definite proposal. I wished, however, to emphasise the two points which, in my Government's opinion, deserve our special attention to-day. In the first place, the European countries whose representatives are assembled in this Commission and which economically all have the same fundamental bases, must endeavour to come to an understanding. Next, I wished to place before you the less important, but by no means

negligible, question whether what has been done by the northern countries, and by Belgium, Luxemburg and the Netherlands, could not, failing something better, provide the starting-point for future developments. We all desire to combine in a common effort to achieve better and more concrete results with a view to European co-operation in economic matters and questions of commercial policy; moreover, if I may speak quite frankly, this result once achieved will do more than anything else to ensure international confidence and security and the maintenance of peace in Europe.

M. HYMANS (Belgium) [*Translation*]. — I thought it my duty to support the conclusions of the very remarkable statement made by M. Colijn, especially as I noticed in it certain ideas which I expressed, although very imperfectly, in my speech before the last League Assembly.

M. Colijn has recorded in a rather melancholy vein the somewhat numerous failures of the League's action in the economic field, and his record is a true one. We have welcomed many conventions, we have voted many, we have signed many, but the ratifications have often been far fewer than the signatures. The Governments which have signed have not always ratified and in their own countries have sometimes even taken measures that were directly at variance with the principles that had been adopted.

Why should this be so? I believe that unhappily these inconsistencies may be adequately explained by the facts of political life. Here we act in an atmosphere of serene calm and with full independence of mind. No pressure is brought to bear on us and when we go home, and I am speaking for everyone, we encounter individual interests which talk very loud and which take the form of electoral interests and coalitions; and then the Governments yield.

The Ministers for Foreign Affairs are now asked to exert their influence over the Ministers of Commerce. For me personally, that will be very easy because, being both Minister for Foreign Affairs and Minister of Foreign Trade, I shall certainly exert very strong pressure on my double. Nevertheless, I do not think such a very great effort will be necessary to convince the Governments. The work that will require all our energy is, in my view, to attempt to convince public opinion, because, by an instinct that is always uppermost at times of distress and depression, public opinion is inclined to demand expedients and measures of an empirical character.

M. Colijn displayed a certain pessimism which may be readily understood. I, however, am still optimistic for I have always thought that in these matters we should only advance slowly, that the way would be long, that we should encounter many obstacles — for nothing is more difficult than to instil the truth of an idea into the public mind.

M. Colijn has made the danger very clear. He said, to put it briefly, that we cannot conceive of European Union in a state of economic disorder, and the danger to-day, in view of the general circumstances, is lest economic nationalism should grow stronger and perhaps triumph in the western countries as well as in those of Eastern Europe.

I do not propose to examine the value of the resolutions adopted at the 1927 Economic Conference. To discuss them would only involve an academic debate, and that we can forego. We have not before us to-day recommendations by economists. We have before us a concrete programme adopted by the European Governments less than a year ago and embodied in the Protocol of March 24th, 1930, with which the first Conference with a View to Concerted Economic Action concluded.

The fundamental aim laid down in that programme is the creation of a large European market, and two main problems are put before us. The first concerns the eastern countries, the exporters of agricultural produce and the other concerns obstacles to trade in general.

M. Marinkovitch is chiefly preoccupied with the problem of the eastern countries. No one can fail to recognise its importance, which is plain for two reasons. The industrial States of Western Europe have a direct interest in increasing the purchasing capacity of their customers in the East. Secondly, the development of the economic relations between these two parts of the Continent is a *sine qua non* for any true European union.

M. Marinkovitch brought up, in this connection, the very delicate and controversial question of preferential treatment for cereals from Eastern Europe. To my mind, this question involves nothing that is impossible from the point of view of principle. Belgium, it is true, is one of the countries which are most strongly attached to the most-favoured-nation clause. We do not, however, make a dogma of that clause. There is no dogma in politics, especially in economic politics. We can easily agree that in exceptional circumstances certain countries should, by means of treaties, make derogations from the clause. These are individual questions to be settled by negotiation between the Governments concerned; we must not, however, imagine that preference will finally cure the evil from which the agricultural countries in the East are suffering. To my mind, it is rather a palliative which may temporarily prevent the evil becoming worse.

Before the war the Belgian market provided a wide outlet for the wheat exported by the Danubian countries. Their wheat is hardly sold in Belgium to-day, and yet my country has neither erected Customs barriers nor increased them. Cereals from Eastern Europe are admitted free of all duty as before.

The true remedy for the present situation is the better organisation of production, sales and credit. So far as my country is concerned I can say that we are entirely prepared to give all possible help on those lines.

That, however, is not the only problem before us to-day. There is a second, the gravity of which M. Colijn rightly emphasised. There is reason to fear — Mr. Henderson dwelt on this point and, coming from him, the warning was significant — that several States in Western Europe, which hitherto have been actively in favour of moderation exercised in matters of commercial policy, and whose influence is fundamental in the economic structure of Europe, may be led by circumstances to change their attitude.

The economic and political consequences of any such development would be considerable. It may be that it is in our power to avoid any such development. That depends to a large extent on the fate of the Commercial Convention which the majority of the European countries signed at Geneva on March 24th last, and on the outcome of the Customs negotiations which are to be opened in a few weeks between the principal Western European countries. Everything therefore will depend on the decisions taken by the Governments and their Parliaments in the next few months.

We must be thoroughly permeated with the idea that it is not only economic interests that are at stake but, as the Norwegian Minister for Foreign Affairs has very rightly brought out, grave political interests as well. Economic interests therefore must not be the only decisive factor at the forthcoming negotiations.

We are confronted to-day with a strange contradiction. At the very time when we are endeavouring to bind the European States closer to one another, which is the basis for any conception of European Union, we see them, under the sway of national interests, taking measures which are mutually injurious to them. They consider that an individualist policy may provide a remedy for the economic depression in which all are involved.

It may be that the lowering of Customs barriers, unanimously recommended by the economic world in 1927, will result in no immediate improvement in the present position. We can, on the contrary, state positively that to increase the impediments to trade aggravates the economic evil and keeps international discord alive. If the European countries are anxious to set up some system of union among them, the first rule to which they must submit is to avoid, as far as possible, injuring one another.

This idea, in so far as Customs measures are concerned, is embodied in the Geneva Commercial Convention of March 24th, which was signed by most of the European countries. It was already to be found in a rudimentary state in certain commercial treaties, in particular, that concluded in 1928 between the Belgo-Luxemburg Economic Union and France. It recurs, stated more forcibly as the guiding principle of a policy, in the Convention concluded at Oslo last December, on the invitation of the Norwegian Government, by the Scandinavian States, the Netherlands, Denmark and the Belgo-Luxemburg Economic Union. It has been rightly said that this Convention is a bond of union, and I was very glad to hear M. Mowinckel say that, in that sense, it is in line with M. Briand's ideas, which were the starting-point for our discussions to-day.

The same idea is expressed in one of the proposals which the Belgian Government submitted for inclusion in this Commission's agenda. I will read two passages from our note in which this argument is set forth :

“ The essential object of the European Union of which it is proposed to lay the foundations is to establish a system of constant co-operation among the peoples of Europe. The European Union represents an attempt to strengthen the links uniting these peoples and to develop their mutual relations, but it implies primarily that every European country should refrain, as far as possible, from taking any steps that might injure other European countries.

“ It must, however, be recognised that action taken on grounds of national interest tends as a rule to be somewhat neglectful of the interest of other nations. This is particularly true in economic matters during a period of crisis. Faced by serious difficulties, the authorities in every country act in isolation by a kind of reflex instinct of self-preservation. Thinking only of the internal position, they consequently find themselves injuring the interests of their neighbours ; and thus, arousing resentment and giving ground for reprisals on the part of those neighbours, they not merely fail to cure the trouble but very likely aggravate it.”

And in conclusion we say :

“ There can, of course, be no question of encroaching upon the prerogatives of Governments or Parliaments. The example of the Commercial Convention shows, however, that it is possible, within those limits, to arrange for consultations and to allow for necessary adjustments to prevent measures taken in the national interest from injuring the interests of other countries and being regarded by them as vexatious.

“ The Belgian Government according suggests that the Commission should consider to what subjects and in what manner the application of the principle defined above might properly be extended.”

That, in our view, is one of the conditions that must be fulfilled before there can be any system of real European union.

M. PROCOPÉ (Finland) [*Translation*]. — I wish, first of all, to make it clear that my Government, too, considers that, in order to find an efficacious solution of the difficulties

with which we are now beset in the economic world, we must not take our stand on too wide a plane. That is M. Marinkovitch's argument as well.

Next, I wish to say how strongly convinced I am of the need for close and broadminded co-operation among us all. I join in the feelings of gratitude and admiration that have been expressed to M. Colijn for his very frank and clear statement. I thank, too, the Sections concerned in the League Secretariat. If the aims of the 1927 World Conference have not been achieved, it is no fault of the Secretariat nor of those who presided over the subsequent Conferences. The blame must be laid on circumstances which have been stronger than the will of man.

The 1927 World Conference was held at a moment of general prosperity. It was followed by the crisis due to over-production and the maldistribution of production, which brought with it a fall in prices, unemployment and all the difficulties that may be observed practically everywhere at the present time. Among the concomitant phenomena I may mention dumping, by which I mean both dumping practised by the, so to speak, classic methods, and social dumping, which consists of the lowering of the workers' standard of life in certain districts to a level that it is difficult to imagine, the sale of goods at a price below the cost price, and a whole series of irregular measures, the effects of which are felt in trade and in international economic life.

May I draw the Commission's attention to the circumstances in which certain countries far from the centre of Europe, among them my own, are placed? There are some nations which in this period of depression are struggling, if not for life, at any rate to defend themselves against difficulties which are quite abnormal. It must be remembered that even in normal circumstances these peoples have to contend with difficulties that are due to nature herself — for example, the severities of the climate. Their standards and their work as well are hampered by shortage of capital and by the excessive interest they have to pay for loans. Unquestionably, these difficulties have been felt more acutely during the crisis. That being so, it is only natural that the countries in question should, for the time being at any rate, have recourse to defensive measures.

These facts demonstrate, in my view, the absolute necessity for establishing European co-operation in the economic field, and, in this respect, I join in the hopes that have been expressed by the various representatives on this Commission and I hope, in particular, that the Geneva Convention concluded last March and ratified by my Government in the autumn, may come into force, thus constituting the first step towards economic co-operation.

The Oslo Convention may perhaps represent a step along this road. We have to explore the possibility of establishing a balance between consumption and production, promoting understanding between producers and consumers and, above all, preventing all irregular practices in international trade and international life. As these are largely social matters, it is, I think, extremely important to have the close co-operation of the International Labour Office, which has sent us a very valuable memorandum (Annex 2).

Lastly, our object is to form an economic union between the nations. We have to try and secure greater freedom for the circulation of goods, capital and labour. I do not, however, quite understand — and in this I entirely agree with M. Marinkovitch — how this result can be achieved unless the possibility of making certain derogations from the most-favoured-nation clause be accepted. In this matter, we have not only to deal with measures to be taken beforehand when drawing up bilateral treaties of commerce, but we must likewise consider measures to be taken, so to speak, *ex post facto*. We must try to lay down the rule whereby, when one group of States establishes a real *rapprochement* in the economic field, the other States may have an opportunity of obtaining the same benefits. The League organisations concerned have made very important studies on this question. I wish to emphasise the need for continuing those studies, due regard, of course, being paid to the principle known as the "principle of fair treatment". In other terms, if certain States agree mutually to grant one another special benefits, all other States would be entitled to obtain the same benefits on condition of reciprocity.

This principle is, I think, indispensable if we wish to encourage a regional *rapprochement* on the lines of the suggestions made by certain delegates at the last Assembly.

The question of agricultural credits, primarily concerns agricultural interests which need immediate help. It is, however, a question of common interest since, by assisting agriculturists, we shall be increasing their purchasing power and facilitating general economic development. We shall probably return to this subject at a later meeting.

I wish merely to emphasise two points :

In the first place, this question concerns, in addition to certain countries in Central and Eastern Europe which have a wheat surplus, other States in North-Eastern Europe which do not export wheat but where farming is the principal national industry.

Secondly, I should like to mention a scheme which was submitted by the Latvian representative at the Sub-Committee of Agricultural Experts. Its object was to found a European Agricultural Bank which, on the basis of a mortgage system, would endeavour to promote loans to farmers. That idea, I think, merits consideration and should be studied by our Commission.



Those are the only points which I wish to mention. I hope that in this matter we shall succeed in obtaining practical results, however restricted. We must make every effort to do so, for the revival of public confidence in every country is essential.

*The continuation of the discussion was adjourned to the next meeting.*

9. **Publicity of the Meetings.**

After an exchange of views in which the CHAIRMAN, Mr. HENDERSON, M. MOTTA and M. TITULESCO took part, the Commission decided that, in future, its meetings would be held in public.

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SIXTH MEETING (PUBLIC)

*Held on Tuesday, January 20th, 1931, at 3.30 p.m.*

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*Chairman : M. BRIAND (France).*

10. **Question of the Participation in the Work of the Commission of European States Non-Members of the League: Draft Resolution submitted by the Special Sub-Committee.**

The CHAIRMAN [*Translation*]. — The draft resolution prepared by the special Sub-Committee is as follows :

“ The Commission of Enquiry for European Union,  
“ Having regard to the resolution adopted by the Assembly of the League of Nations on September 17th, 1930 :

“ Decides to study the world economic crisis, in so far as it affects the European countries as a whole, and to invite through the Secretary-General the Governments of Iceland, Turkey, and the Union of Soviet Socialist Republics to participate in this study.”

M. MOWINCKEL (Norway) [*Translation*]. — I certainly do not intend to oppose a motion which has been so carefully prepared and is so generally supported. For my own part, however, and with reference to what I said on Saturday morning, I am obliged to make a reservation. Much as I would have desired co-operation with the States non-Members of the League in the questions we are considering and much as I would have liked to second any such co-operation, I cannot help feeling that this invitation is premature. When I recall the resolution adopted by the last Assembly, I regret that, before sending such an invitation, we cannot discuss the programme of our own work a little more fully. I may once again draw your attention, as I did on Saturday, to the concrete proposal which was submitted by the Danish Government and which, had it been adopted, would have afforded a definite basis, not only for co-operation among ourselves, but also for the co-operation which it is desired to obtain in the interests of all.

The CHAIRMAN [*Translation*]. — I can only take note of M. Mowinckel's reservations.

M. HYMANS (Belgium), M. MARINKOVITCH (Yugoslavia), M. QUIÑONES DE LEÓN (Spain), M. BEELAERTS VAN BLOKLAND (Netherlands), M. WESTMAN (Sweden), Dr. MUNCH (Denmark), and M. MOTTA (Switzerland), associated themselves with M. Mowinckel's reservation.

*The draft resolution was adopted.*

11. **Economic Situation : Discussion in connection with the Statement by M. Colijn (President of the Second International Conference with a View to Concerted Economic Action) (continuation).**

M. TITULESCO (Roumania) [*Translation*]. — I should like to join in the tribute that has been paid by all members to M. Colijn's very lucid and courageous statement and to express my best thanks to him for the warning he has once again uttered with regard to the economic situation in Europe.

I should also like to say that I entirely agree with the profound truths which M. Marinkovitch propounded the other day with so much subtlety and wit. Our discussions, however, must lead to conclusions ; otherwise they would be futile and useless. I should like therefore to deal as briefly as possible with the conclusions to be drawn from our debates. I entirely agree that the European States must set to work again and seek, by a sustained effort and by mutual concessions, to remove the multifarious causes to which is due the absence of results following on the Economic Conference and all the later Conferences. All that, however, will take time. What must we do meanwhile?

It would be unreasonable to offer the European States as a remedy for their troubles the mere hope that from fresh discussion there will emerge a fresh academic resolution. In the meantime, we must act and in such a way that it will be plain to all that the period of fulfilment has actually begun. To my mind, that is a psychological no less than an economic necessity. In my opinion, the sphere in which immediate action is most urgent is that of agriculture.

I notice that the question of preferential tariffs has given rise in this Commission to certain objections. I do not think that these objections are insurmountable, but I am not at the same time misled into thinking that we can immediately get rid of all the difficulties involved in the solution of this question. I say therefore that we adhere to the Roumanian Government's point of view as defined by our delegates on many past occasions, and I hope that, at the forthcoming Wheat Conference to be held in Rome, the question of preferential wheat tariffs will at length receive the equitable solution it deserves.

In the meantime, what must we do? To my mind, there are two problems which we can take up immediately with some prospect of success. The first is the sale of the available stocks of cereals from the 1930 harvest. The second is the problem of agricultural credits.

These two questions must be taken as an indivisible whole, for their concurrent solution would place the various States in possession of a diversity of means appropriate to the circumstances of each but devised for a single aim — namely, a first form of European co-operation.

There are some States in Europe which at present buy cereals to meet their own needs. Why should they not immediately purchase the surplus from our 1930 harvests? This would entail no breach of any treaty of commerce whatever, it would be purely and simply a commercial operation, because so far as I can see, every country is entirely free to buy its foodstuffs where it thinks best.

If cereals were bought to-day on the European market in places where there is a surplus, you would not only be giving great help to many European countries but you would, at the same time, be accomplishing an act which would prove to all and sundry that European union is not a myth.

There are other countries which do not buy cereals, either because they are not importers or because they have already assembled their stocks. They have, however, a quantity of available capital which they would be only too ready to invest abroad if reasonable conditions of security could be offered. What is it that deters capital in these countries from taking the road of the Central and Eastern European markets? What is the explanation of the abundance of capital in the banks in Western European countries where it brings in only 1 per cent or nothing at all, while peasants in the Central and Eastern European agricultural countries are paying usurious rates of interest. To be quite frank, the reason is lack of confidence. Confidence, particularly in matters of finance, is not created by making speeches. It is created by appropriate arrangements.

What are the concrete reasons for the shortage of credit in the existing national agricultural establishments or in those which are on the point of being set up, and of which the object is to help farmers. In my opinion, there are three main reasons.

First, there is the diversity of law on mortgage, pledging, seizure and distraint in the different European countries. Next, there is the hopeless confusion in which western lenders find themselves when trying to ascertain the exact value of the scrip offered them. Lastly, there is the absence of any international central establishment which would be conversant with the credit conditions of each country and might sell scrip with a full knowledge of all the circumstances — that is to say, after satisfying itself as to the value of the pledges represented by that scrip.

It would then be desirable for us to proceed immediately, under the auspices of the League, to (1) the unification of private law on mortgage, pledging and distraint, in so far as so-called agricultural loans are concerned; and (2) the foundation of a central establishment whose main task would be to discount the scrip of national credit establishments and to issue on the international market its own scrip which would be backed by its own credit as an international establishment as well as by the combined credit of all the debtor countries. We should thus be materially assisting agriculture in Europe.

These are things which can be done without delay. Why should not our Commission appoint a committee, consisting of delegates of certain States represented here, which would work in co-operation with the League's technical organisations? We already have at our disposal a very thorough study made by the Financial Committee. This, I think, is a subject on which we could quickly achieve concrete results. If we do so, and do so immediately, we shall not only be helping very many European countries, but we shall also be making a first partial application of the great idea which has brought us together here.

But there is more than that. The keenest imagination could never conjecture all the changes that lie hidden in the future, for reason obstructs our vision and we see only the impossibilities of the present. The method of proceeding by stages, on the other hand, has magic power and opens up time after time unsuspected prospects; when the first stage has been passed things that to-day appear impossible will then be found easy and normal.

If, therefore, you can proceed at once to take the first step in the realm of agriculture, you will not only be helping many European countries, you will not only be realising in

part the ideal by which you are guided, but you will be setting in motion the machine which will lead Europe to the conquest of her peaceful destiny.

Such are the immediate and practical conclusions which in my view emerge from this discussion.

Dr. CURTIUS (Germany) [*Translation*]. — When we looked in the mirror held up to us by M. Colijn, we certainly saw something that was not particularly pleasing. I associate myself, however, with Mr. Henderson's thanks to M. Colijn for having given us the truth and the whole truth. The Commission of Enquiry for European Union would certainly be taking the wrong road if, at the commencement of its task, it were misled as to the real position.

M. Colijn, at the beginning of his statement, said that he was not bringing us the key to the solution of the European economic problem; but, towards the end of his observations, he gave us all the same an impression that he was in possession of a kind of master-key; he told us that to solve our principal difficulties we only had all to accept the system of free trade, or at least to make a systematic and uniform reduction in tariffs.

In our discussion on the economic problem we were surprised to hear, after M. Colijn's masterly speech, another equally masterly speech by M. Marinkovitch, which although opposed to M. Colijn's ideas on many points, has made on us a perhaps even deeper impression. Nothing, I think, could indicate better the intricacy of the problem.

There is, indeed, no direct or uniform solution for our difficulties. We must use different methods to deal with problems which have a different complexion in each group of countries. On this point, I entirely agree with M. Marinkovitch.

The point which emerges most clearly from M. Colijn's observations is disappointment that one of the recommendations of the 1927 International Economic Conference, one which became so renowned, failed to produce any result; I mean the recommendation stating that the time had come to put an end to the increase in Customs tariffs and to move in the opposite direction.

Can it really be said in such sweeping terms that this recommendation has had no effect? I feel sure that all Governments which assented to it honestly intend to put it into practice. In so far as the German Government is concerned, I can say this categorically. If the recommendation has not been carried out in the way in which we all hoped it would, this is due not to lack of goodwill on the part of the Governments, but to the fact that the situation has developed in another direction and that circumstances have gained the upper hand. There has been a sort of upheaval in the economic world. There, too, I can agree with M. Marinkovitch.

In order to gauge the situation in this respect we must make a distinction between industrial duties and agricultural duties. If we compare the level of industrial duties to-day with that existing at the time of the International Economic Conference, we shall see that they have not increased. On the contrary, they have been lowered considerably; and the reductions are not only slight ones; in the most important matters — for example, the duties on textiles — we find very appreciable reductions.

This reduction of tariffs has been achieved both by bilateral agreement, as recommended by the 1927 International Economic Conference — I may remind you in this connection of the Franco-German Treaty of Commerce — and by independent legislation. The International Economic Conference paved the way for the conclusion of the Franco-German Commercial Agreement which entails important reductions of duties in the two countries.

It is, I think, desirable that this fact should be definitely placed on record in order to save the honour of the 1927 Conference.

The German Government, moreover, has been to a very large extent guided by the Conference's recommendations in its attitude to the many efforts that have been made to obtain higher industrial duties. The same may be said, I imagine, of other countries.

The situation is entirely different when we come to agricultural duties. In Germany, we have to-day on certain agricultural products duties which we would have deemed impossible at the time of the International Economic Conference and even a year ago, but in this case the radical change in the situation on the world market took us, like other countries, by surprise and we have been forced to introduce extraordinary measures.

The reasons for this unavoidable policy of raising the duties on the more important agricultural products are not to be ascribed to agriculture in the different European countries, nor to European agriculture as a whole. These increases were necessitated by the growth of production and by the fall of the cost of production in the big overseas countries. Those are factors over which we have no power. It cannot surely be argued that the European Governments are to look on at a change of that sort with folded hands and to leave their own agriculture in jeopardy, when they see for instance, that the price



of wheat has fallen by one-half on the world market and that the prices of the other cereals have declined even further.

Germany is commonly regarded abroad as an industrial country. In actual fact, agricultural produce represents 40 per cent in money value of our total output. This figure shows that the preservation of her agriculture is vital to Germany, that she too, accordingly, is forced to take effective and prompt measures to avert the collapse of this industry.

In his reply to M. Marinkovitch's observations, M. Colijn referred to the sugar market. I should like to deal with this illustration in some detail for the conditions on the sugar market are, to a certain extent, characteristic of what is happening on other agricultural markets.

What are the circumstances from the standpoint of the production of sugar? At one time, Germany used to be one of the chief sugar exporting countries. At the present time the sugar output in the cane-sugar producing countries has grown enormously; and owing to a considerable extension of the area under cultivation and to improved methods of cultivation and production prices have fallen by about two-thirds since 1923. I do not criticise the cane-sugar producing countries for increasing their output, but the argument must not be used against the countries which are now on the defensive; the latter must not be blamed for defending themselves. The situation is much the same in regard to wheat and other agricultural produce.

In the case of sugar, an international Convention has been concluded, and a blow has thus been struck at the root of the evil — that is to say, over-production. I trust that this experiment will have lasting results.

M. Colijn thought that the Sugar Convention might be taken as a model for what it would be possible to do in other spheres of agricultural production. I am disposed to agree with this recommendation, although, obviously, the circumstances are very much more complicated in the other branches of agriculture.

I should like also to express the hope that the world Wheat Conference, to meet in March 1931 under the auspices of the International Institute of Agriculture at Rome, will explore this problem in detail and discover solutions on the lines of the Sugar Convention. The non-European wheat producing countries are, I consider, deeply concerned in the success of the Wheat Conference, because only with their assistance and if they understand our problems can the anxieties of the European countries as to the very existence of their agriculturists be allayed.

Whatever the result of the Wheat Conference, the work to be done in connection with it will in any case be extensive and protracted. Our Commission should study meanwhile certain special European problems. We have before us the proposal for a preferential system for wheat from South-Eastern Europe. Like M. Colijn, I hope that this proposal has not been definitely barred, notwithstanding the rather negative attitude adopted by the Conference of Government representatives in November. I hope, on the contrary, that we shall re-examine this proposal in our Commission. The exchange of views between M. Marinkovitch and M. Colijn has given us a glimpse of fresh possibilities; perhaps I may be allowed to go a little further into this problem.

I should first like to make a few comments by way of supplementing what M. Marinkovitch has said. In addition to the Iberian Clause and the special arrangements made between Austria-Hungary and Serbia before the war, there are many other examples of exceptions to the most-favoured-nation clause which have received general sanction. The Iberian Clause does not apply to Spain and Portugal only. These two countries have reserved the right to grant preference to certain South American countries as well. There are likewise the Scandinavian and Baltic Clauses. Russia has reserved the right to grant preference to certain Asiatic countries and Turkey has reserved the same right in respect of certain territories in Asia. Further, some of the South American countries have reserved the right to grant preference to one another reciprocally.

The classic and, at the same time, the most important example of this type of exception is that afforded by the preferential relations between the mother country and the overseas colonies.

M. Colijn, in his reply, agreed that these cases were justified politically and geographically. He was, however, extremely reserved in dealing with the question whether this principle could also be allowed as between other European countries — for instance, and I cite M. Colijn, between France and Germany on the one hand and the South-Eastern European countries on the other hand. Should we be really overstepping the limits of the preferential systems that have received general sanction if we granted the same right to countries which are economically interdependent and which have for a long time been in very close economic relations? Would not such a right be far more real and far more justified between European countries like those I have described, than between the European countries and countries in other continents? The answer must, I think, necessarily be in the affirmative.

I should like also to observe that out-and-out preference, by which I mean a Customs Union, is generally recognised, from the standpoint of commercial treaties, as constituting an exception. Why should it not be possible, by a unanimous decision on the part of the

countries concerned, to institute partial preference seeing that out-and-out preference is not under discussion for the moment?

The assent of third countries enjoying the benefits of the most-favoured-nation clause would, of course, have to be obtained. M. Colijn, in his reply, pointed out to M. Marinkovitch the real difficulties that had been disclosed at the Conference in November. It is not that the importing countries would oppose preference, but mainly that they are concerned with the resistance that might be made by third countries enjoying most-favoured-nation treatment and with the disadvantages that would ensure for the importing countries in their commercial relations with these third countries. This point is of importance; for instance, one of the Sub-Committees at the November Conference unanimously declared that the assent of third countries enjoying most-favoured-nation treatment was a preliminary condition for putting the proposed system into effect. But how can we hope that the most favoured overseas countries will acquiesce in any such inter-European preference for wheat unless the European countries themselves have agreed on this point? Only after the European countries represented on this Commission have come to an agreement shall we have any justification for asking the overseas countries if they are ready to approve. There will be no lack of arguments and figures to prove to the non-European countries that an economic revival in Europe is in their interest as well.

As regards the procedure, I suggest the following system which seems to me the most useful: bilateral preferential treaties should first be concluded between the various South European wheat-exporting countries on the one hand and the importing countries on the other hand. These treaties would then have to be brought to the notice of this Commission with the request that it should sanction them as constituting a derogation, as regards Europe, from the most-favoured-nation clause. It is for that reason that I think it so desirable to have amongst us the European countries which are not yet represented here but which are essentially interested in this matter. After this Commission has authorised the derogation from the most-favoured-nation clause, it will then be time to consider when and in what way the assent of the non-European countries could be obtained. Meanwhile, we might perhaps proceed on the lines indicated by M. Titulesco. The German Government awaits concrete proposals and will give them all favourable consideration.

M. Colijn, in his reply, said that he personally would find it easier to accept the idea of preference if the Geneva Commercial Convention were put into force and so provided a guarantee of stability in European commercial policy. I should like to reconsider this argument and I think it desirable that, when we come to deal with the problem of preference, our Commission should bear in mind the connection to which M. Colijn alluded.

In the first place, we shall have to take a decision of principle on the question whether we wish to examine constructively the proposal submitted by the South-East European States. May I suggest that M. Marinkovitch should bring forward a motion and thus give the Commission an opportunity of taking a decision?

The organisation of agricultural credits also was very prominent in the economic discussions at the last Assembly and in the November Conference. I agree that the Commission should include this problem in its programme of work, possibly after consulting the Financial Committee, and I learn with pleasure that we are going to hear what M. Suvich has to say on the matter. True, I do not consider that agricultural credits alone will provide a prompt and final solution for the difficulties of the agricultural countries. What the latter need is an opportunity to dispose of their harvests in the next few years. I should not, however, like to underestimate the importance of organising agricultural credits; on the contrary, Germany, too, is concerned in this question. Our farmers suffer from the fact that these credits are short-term credits and that the rate of interest is very high. They are particularly hard hit because German farming, being intensive, depends to a very considerable extent on the financial resources offered by foreign capital. They therefore depend far more than the farmers in other countries on the money market. Even at a time when agricultural prices were better than now, European farmers would have been unable to earn profits commensurate with the rate of interest now demanded in Europe for agricultural loans. They will be still less able to carry such rates in circumstances like the present, when prices are extremely low.

Our Commission, however, must not, in my view, deal solely with the problem of credits or that of the financial and gold market in its relation to agricultural credits. We must consider these problems in their general aspect. The economic troubles of the world are very largely due to the disorganisation of the money market, I mean the silver, gold and capital markets as well as to the fact that demand and supply, when the latter is abundant, do not adjust themselves nowadays as quickly or as certainly as before. The situation is however an abnormal one when, in some countries, capital can find no employment or can only find employment at quite inadequate remuneration, whereas in others economic activity is paralysed by the shortage of capital or excessive rates of interest. Here, too, I concur in what M. Titulesco has said. European co-operation makes it a duty for the

countries which have surplus capital to try and restore the balance between want and plenty in their own interest as much as in that of the countries which need capital.

Among the problems dealt with by M. Colijn I should like to consider also the British and Dutch proposals submitted to the Conference in November. I think I may say that it was partly owing to the action taken by Germany at the Assembly and at the November Conference that these proposals were examined. Needless to say, Germany is ready to enter upon the proposed negotiations. Since that time an exchange of views has been begun between the British Government and other European Governments. I trust that these negotiations will be successful. Their success is both the essential condition for the putting into force of the Geneva Commercial Convention of March 1930 and the basis for a more durable development of the economic relations between European countries. The German Government had these considerations in mind when it placed the Geneva Convention before our legislative bodies.

I think I may say that our discussion here on M. Colijn's statement may be taken to show that we are firmly resolved to tackle these problems seriously. It is extremely useful to have had a clear statement of opposing ideas and antagonistic interests. If we are to strike the balance between the divergent economic interests in Europe, we must begin by knowing the interests of the different countries. Frank discussion is, therefore, a preliminary condition for success.

M. DE VASCONCELLOS (Portugal) [*Translation*]. — M. Colijn's masterly statement on the economic situation of Europe, gloomy as it was, concluded with an appeal for co-operation as the only means of averting the disasters ensuing from the most formidable economic crisis the world has ever known.

It is recognised that, on the one hand, and viewing the situation from a certain aspect, Europe is most deplorably divided between industrial unemployment in the West and agricultural depression in the East, and that the main features of the economic collapse and disorder in our continent are a shortage of the principal raw materials and a plethora of certain others. The situation is aggravated by the loss of some of the most important markets outside Europe and by excessive Customs protection. These have resulted in a prolonged economic war to the death, in which tariffs are used as weapons of offence and which has gone on developing along a front that has been extended by 20,000 kilometres solely in consequence of the new frontiers.

It is not, therefore, surprising that the premises of Malthus have undergone a radical change. Driven by new laws governing international economics, some 300,000,000 Europeans are asking only to be allowed to produce and to buy, once international trade has been facilitated and the congestion in metal stocks relieved by a sound organisation of production and credit, based on the reconciliation of the two opposing European zones in accordance with the sage advice of the International Chamber of Commerce. As against this, it is stated, on the basis of world statistics, that renewed industrial activity has been particularly conspicuous in Europe; that in no part of the world has the rhythm of economic progress been more regular; that Europe is not only America's biggest creditor and biggest debtor, but likewise her principal market, notwithstanding the steady growth of exports from North America to Latin America and that our age-old Continent is still, from the standpoint of quality, the most important human reservoir in the whole world.

What are we to infer from this incongruity which is perhaps more apparent than real? That there is urgent need of co-ordination between the countries which can no longer remain mere witnesses of the struggle.

The Economic Conferences convened by the League of which M. Colijn has given us so impressive a review, have striven to establish that co-ordination. Portugal has shared in all this work. She has accepted those conclusions which did not entail a complete revolution in her economic policy. She has adjusted her legislation to the provisions of the Conventions which, although calling for certain sacrifices, were calculated to be really helpful in improving the economic situation of the world. For example, after making important changes in our fiscal system, we have signed and ratified the Convention on the Abolition of Import and Export Prohibitions and Restrictions.

To our great regret we have unfortunately been unable to sign and accept the Preliminary Convention for Concerted Economic Action. Without going into details, I should like briefly to explain the reasons that have prevented us from doing so. The proposed Convention made an unduly technical division of the countries into two groups according to whether their Customs policy was one of consolidation or not. Portugal, although a protectionist country, was thus arbitrarily classified in a group consisting of the free-trade countries and was consequently deprived of the power to reserve a certain freedom of action in Customs matters as regards certain articles which are vital to her economically. We also asked for authorisation to keep our legislative provisions which enable us to safeguard certain of our products against the practices of dumping and unfair competition.

We were therefore faced, on the one hand, with the necessity of accepting a situation at variance with our entire economic policy, while, on the other, we were prevented from protecting ourselves against certain methods of attack which imperilled our production; consequently, having failed in our efforts to obtain the necessary changes for safeguarding our vital interests we were compelled to abstain from signing the proposed Convention.

We have, however, signed the Protocol concerning the Programme of Subsequent Negotiations and, in our reply to the Economic Committee's questionnaire and in the declarations our delegates have made, we have explained what action should, in our view, be taken and how we can best co-operate. In the first place, it is necessary to study the best means of disposing of surplus stocks. A better knowledge of the surpluses held in the producing countries, and of qualities and prices; effective international recognition for appellations of origin and local marks; credit facilities commensurate with the security offered and the size of the transactions involved; a mutual recognition of the advantages which would be derived from always granting preference on the European markets to the products which they are able to offer upon better terms: such are the means which, coupled with reasonable tariff reductions in the importing countries might facilitate the disposal of surplus stocks and gradually relieve the crisis.

Nor are we opposed to a study of the effects of the most-favoured-nation clause, which is embodied in almost all our commercial treaties, with the object of adjusting it to the existing economic circumstances and exigencies.

Portugal is not a small country as is often said by those who forget the overseas territories bequeathed by the heroic exploits of the past. Her economic position, however, is a difficult one. She has just passed through an extremely dangerous financial crisis from which she has only emerged thanks to the very heavy sacrifices imposed by wise, firm and intelligent leadership. She has succeeded with her own internal resources in stabilising her currency which had depreciated more than twenty times and in balancing her budget which had long shown a deficit. And yet, if, in our total budget, which is about £15,000,000, there were any wide fluctuations caused either by gold exports or in a decline in the principal heads of revenue, the balance so hardly won would probably be in danger of collapse. That might have happened, for instance, if we had signed and immediately applied the Preliminary Convention of March 24th, 1930.

Two of the chief commodities in our trade, which have been mentioned over and over again in this discussion — wheat and sugar — might have been so seriously affected by the fluctuations which have occurred that the consequences would certainly have been most serious for Portuguese farming and the sugar industry in our colonies. Increased production of wheat has enabled us this year to obviate an import of £1,500,000; and the defence of our sugar industry has saved us another half million pounds sterling. I fear that, in the framing of the Convention, the consequences which an additional burden of £2,000,000 may have on the exchange of a country with a budget amounting to £15,000,000 are not always realised. It is so small a matter — for the great.

We insisted on keeping the anti-dumping provisions in our tariff laws, though a year ago we were asked to delete them; have the events of this year not shown beyond all doubt the wisdom of our foresight? Have not certain countries been obliged to enact urgent provisions similar to those they had disallowed in our case?

All this goes to prove the complexity of the problem; it demonstrates the diversity of the situations of which account must be taken when countries are asked to make sacrifices in the common cause. Portugal is a European country; but she possess territories in all parts of the world with a native population that is rapidly developing and is constantly making demands for education and civilisation which are rather a charge upon the mother country than a source of revenue.

The basis of our economic structure is a variety of products of European and colonial origin. This complex structure explains the divergencies which have sometimes prevented us from accepting some of the economic Conventions drawn up by the League. It should likewise enable the excellent economic authorities at the League to realise the necessity of adjusting their ideas to the facts of life in the different countries.

*The general discussion on the economic situation was closed.*

## 12. Agricultural Credits : Statement by M. Suvich (Chairman of the Financial Committee).

The CHAIRMAN [*Translation*]. — I will now ask M. Suvich, Chairman of the Financial Committee, to give us an account of the Financial Committee's work on agricultural credits.

M. SUVICH (Chairman of the Financial Committee) [*Translation*]. — The problem of agricultural credits was submitted to the Financial Committee for examination by the terms of a resolution adopted by the Second Conference for Concerted Economic Action, where it had been proposed that the Central and Eastern European countries should be given such assistance as would enable them to improve the position of their farming industry.

This problem involves the solution of so many technical and legal questions that it was obviously not possible thoroughly to investigate it in the space of a few days. The Financial Committee also had before it the results of the enquiry made in the Eastern European countries following on the Warsaw Conference and, in particular, certain very important information covering the various technical aspects of the problem; this information has been compiled in the last few years by the International Institute of Agriculture at Rome, and M. de Michelis, President of the Institute, was good enough to explain to us its main lines.

As the Institute is continuing to explore the problem from the general point of view, the Financial Committee's task is to consider, upon the basis either of the existing information or of any information which it may receive from the competent technical organs or which it may collect itself, whether practical results may be anticipated in the field of finance.

The Financial Committee fully realises the importance of the problem submitted to it, both from the standpoint of the agricultural populations themselves and from the world economic point of view. Before setting to work, however, it is anxious to make one observation which, in its opinion, dominates the technical aspects of the matter.

The obstacles which at present prevent almost all movement of capital from one country to another are not of a kind that can be remedied by purely technical financial measures. There is no doubt that the considerations which at present keep capital out of the markets where there is most urgent need of it, are primarily political. Agricultural depression is, moreover, only one of the aspects of the general depression affecting the movement of capital, irrespective of the purpose for which it may be intended. The position therefore cannot be remedied by disregarding general measures for reconstruction. Anxious therefore as the Financial Committee is that capital should flow again in certain international channels which present so many advantages from all points of view, we must acknowledge that the question is not purely one of finance. The Committee could only anticipate a successful issue to the efforts that are about to be made in the matter of agricultural credits provided that confidence is revived in international affairs; and that is the task of the politicians.

Subject to this preliminary observation, the Committee considered that it might be useful to study without delay the most practical method of finding, in the financial field, a solution for the agricultural needs of the Central and Eastern European countries. In this connection, we think it possible to lay down certain principles which would facilitate the success of the operation. These principles are connected more especially with the study of long-term credits which appear to be the most suitable means of obtaining foreign capital. The first subject of this study should be the form and purpose of credits capable of being granted direct to individual farmers or co-operative associations and which might be used either for the redemption of burdensome debts or for improving the technical methods of production with the object of making them more remunerative to the producer.

The next matter to be considered would be the organisation to transact the business. The best system apparently would be to entrust the granting of loans to local institutes which transact business on the spot and so are in a position to have direct knowledge of the circumstances of each borrower. In each country there should possibly be an organisation which would combine local institutes in a central national institute, whose function it would be to initiate and be responsible for the agricultural credit policy of the whole country. These central institutes in turn might be in touch with an international institute which would thus be the corner stone of the whole structure.

A further question to be examined is the duration of such loans; the expression long-term is somewhat loose.

Lastly, there is the question of security and this is the most important of all. The first security should be the mortgage; but we might likewise consider the possibility of a guarantee by a national institute, by the Government concerned and by the international institute.

The mention of a few of the points which will have to be studied suffices to show that there are numerous other difficulties of all kinds. Who will issue the bonds and so assume liability for the debt towards the bondholders? Will the international institute do this, and, if so, what security will it have against the possibility of a State becoming insolvent? Will it be possible to have the joint guarantee of all the States? If the national institutes assume the liability, will not the result be that we shall have so great a variety of scrip as to be detrimental to the loan operations as a whole?

Who will constitute the capital, seeing that the remuneration will obviously be very low? In order to promote credit, will it be possible to unify the law of the different countries, at any rate in respect of security and methods of execution? In what currency are the bonds to be denominated and will it be possible for the mortgages to be drawn in the same currency? What is to be done to ensure that the term of the bonds issued on the market coincides with that of loans granted to the borrowers who may have different terms?

To solve these difficulties and any others that are certain to arise during its investigations, the Financial Committee will have to call in agricultural credit experts. There will be further difficulties to surmount, supposing the Committee desires to consider as well types of credit other than long-term credit; for the possibility of an international solution for this kind of credit as well cannot be ruled out at the beginning.

For these reasons, the Financial Committee thinks it advisable to set up a special delegation consisting of representatives of the Financial Committee itself, of the Economic Committee and of the International Institute of Agriculture, together with experts in agricultural questions. The delegation would be asked to propose a practical solution for the special case submitted to the Financial Committee. We may hope that it would be able to make concrete proposals at the Council's next session in May.

The Financial Committee was anxious to draw the Commission's attention to the complexity of the problem and its difficulties, in order to give you as exact an impression as possible of its nature; we nevertheless hope that if all will put a shoulder to the wheel a solution can be found.



The CHAIRMAN [*Translation*]. — On behalf of the Commission, I sincerely thank M. Suvich for his very valuable statement. He has given us a very clear summary of all the aspects of the problem with which we are dealing, and if, as I imagine, some of us have observations to make concerning the question of agricultural credits, M. Suvich has promised to place himself at our disposal and to give any additional explanations for which he may be asked.

This Commission has to consider the economic question in its general aspects, but with more particular references to its reactions on the problems of Europe. We are confronted here with two problems : there is first a general one, that of the agricultural questions, for which a solution will have to be found for the future ; this solution will probably be found in a few month's time at the important Conference in Rome which all the most competent agriculturists have been invited to attend. The second matter is of the utmost urgency, I mean the question to which M. Marinkovitch drew our attention in his pungent and graphic but, at the same time, very eloquent speech. M. Marinkovitch poured forth the vials of his scorn on the use of oratory at a meeting like ours ; and he was right. Oratory is not, however, negligible, because it gave us his speech and others of great interest as well. But nevertheless he has made us realise that there are times when words, however eloquent and however suggestive, are not enough. He said to us : " In actual fact, you are faced with deep suffering and distress. You have been summoned like doctors to the bedside of a patient. I hope that you will be good doctors and that you will give the patient something besides words of vague comfort ; I hope you will provide, as far as may be, an effective cure".

We are faced with this very serious situation. We have to show what we can do, to give a first idea of what union can effect. We are confronted with one of those problems I described in the memorandum that was sent to you as demanding collective political action by all the European countries. As I am dealing with a concrete case, perhaps I may take the opportunity to dispel misunderstanding due to the form in which this passage in the memorandum I sent you was drafted.

When I said that the political question was preponderant, many people thought that I was disregarding the economic problems, that I regarded them as secondary and that I put politics before economics. I merely meant that, notwithstanding the great ability, competence and distinction of the experts to whom we from time to time apply for enlightenment on certain serious problems, and notwithstanding the very sincere admiration we feel for them, their recommendations have not always been followed by action. M. Colijn, bitter and gloomy as was his statement, did not withhold all encouragement ; he showed us that he, like many other competent men, has met with disappointment ; he concluded, as I did, that there comes a time when Governments must help, and help conjointly, in carrying out the counsels of the experts.

What is needed is political action. Although M. Colijn did not actually appeal to the goodwill of the Ministers for Foreign Affairs to deal with the troubles of the Ministers for Commerce he was within an ace of doing so. He did not ask them to dispute but to collaborate : he said that if no effort were made from the political side, antagonism and particularism, honourable though they may be in matters of such gravity, would prevail.

It is therefore essential for us, as an assembly of statesmen, to go to work with the determination to succeed. The most important question before us in connection with a regional union such as ours is that of co-operation. In that we are in accordance with the spirit of the League whose activities have always been imbued by the desire for collaboration and mutual support.

We are ready to relieve certain sufferings that have been brought to our notice. We have no right to turn aside from them. In an emergency like this we must find an urgent cure. How are we to do so ? Now that we have talked matters over and we see what needs to be done, we should, I think, immediately appoint a committee, consisting, say, of nine members, to consider the draft resolutions that have been prepared as the discussion advanced and that have been announced to the Chair. The committee would be guided by our discussions and would draw up a resolution which might be submitted to us very soon. It must be clear that in adopting that resolution we shall not be performing a mere platonic act of courtesy, but that we shall endorse it with the resolve to make it live — that is to say, to ensure results.

With regard to agricultural credits, M. Suvich has shown us the complexity of the problem and all the practical difficulties which are likely to be encountered. His observations were advanced in an eminently rational spirit. This matter, we see, has been studied by the League Financial Committee, and we know that the Committee explores problems in all their aspects. It does not disregard difficulties but neither does it court them. It would be right to say that when it takes up a subject it has the habit of succeeding. We have never had to record a single failure on its part. The information that has been given has been put forward with a full knowledge of the facts.

I noticed in M. Suvich's statement nothing that would paralyse our action or definitely debar us from taking action. We see that the problem is complex. We shall take it up with the determination to find a solution. I am sure that, after further discussion, the Commission will be able to take a decision.

M. MARINKOVITCH (Yugoslavia) [*Translation*]. — I agree to the proposal to refer the whole question to a committee which will be requested to draft resolutions. I should like to submit the following proposal to that committee :



“The Commission of Enquiry for European Union, noting the necessity of organising in a rational manner the economic relations between European countries, decides to set up a Committee, to be constituted *ad hoc* to study this question and the proposals made by the South-Eastern European countries at the Economic Conference in November, proposals concerning preferential tariffs.”

I have not mentioned bilateral treaties because according to what M. Colijn and others have said, the most-favoured-nation clause is not regarded as a dogma. Consequently, if we succeed in concluding our bilateral treaties, no country in Europe will, I think, be entitled to complain on grounds of principle. A country might complain if its interests were injured but it could not do so merely on the ground that the treaty was at variance with the most-favoured-nation clause.

Dr. CURTIUS (Germany) [*Translation*]. — I imagine that the committee proposed by the Chairman will consider a number of economic questions which in my view are ripe for discussion here. If that is so, it will deal not only with the proposals which the Chairman and M. Marinkovitch have mentioned, but also with other economic questions which have to be solved.

These other questions should, I think, be studied by the committee with the object of determining the most suitable methods for their investigation by the Commission of Enquiry for European Union.

I should like to take this opportunity to make an observation concerning the participation of the Free City of Danzig. Some speakers consider that there are certain difficulties in this connection. I should like to propose that before our May session an invitation should be sent to the Free City to take part in our work. As I have said, I will get into touch with the Polish delegate on this point.

Mr. HENDERSON (British Empire). — I agree to the proposal to appoint this committee. I only wish to say that I hope it is understood that in allowing M. Marinkovitch's declaration with regard to the most-favoured-nation clause to pass we do not hereby accept his declaration.

The CHAIRMAN [*Translation*]. — I should like to reply briefly to the question put by Dr. Curtius. The committee I propose would be a drafting Committee to which all the draft resolutions handed in to the Bureau would be sent in accordance with the normal procedure and which would report to this Commission. We cannot discuss here all the draft resolutions that have been submitted, for if we did so we should never finish our agenda.

The Commission of course can always enlarge the committee's jurisdiction and refer other broader questions to it, but for the moment I think it should be merely a drafting committee.

The question of Danzig has been raised. M. Zaleski spoke to me on the subject and Dr. Curtius has placed it before the Commission. This is a special problem which needs close examination. It has arisen in connection with another organisation and I believe that the Permanent Court of International Justice has even been asked to give a legal interpretation. I am not quite sure of the facts and I will not therefore hazard an opinion. It is, however, a particular point with which the Commission itself might deal without it being necessary for the moment to enlarge the jurisdiction of the drafting committee which has quite enough work to do. If necessary, we might broaden the committee's terms of reference when it has presented its report.

Dr. CURTIUS (Germany) [*Translation*]. — I am entirely satisfied, provided that, in addition to the question put forward by M. Marinkovitch and the other matters raised in the various motions before us, the Commission considers that the other economic questions that have been put forward here are to be discussed at the May session. I hope that by that time the question of Danzig will have been sufficiently advanced to enable us to invite the Free City to take part in our work. The question is not a legal one, but rather a political one.

M. ZALESKI (Poland) [*Translation*]. — In my capacity as representative for Danzig in foreign affairs I placed before you the question of an invitation to the Free City. I do not, however, see how that has a political aspect. From the political standpoint, I am in no way opposed to inviting the Free City. On the contrary I myself suggested it. The only point I should like to clear up is the legal aspect of the matter.

Dr. CURTIUS (Germany) [*Translation*]. — When I drew a distinction between legal and political considerations, I did so because the Chairman himself referred to a decision by the Permanent Court at The Hague. In my opinion, that decision covers a special

case — namely, the Free City's participation in the work of the International Labour Organisation. I note with satisfaction that the Polish representative has himself placed before the Bureau the question of the participation of Danzig in our work.

The CHAIRMAN [*Translation*]. — Then we are all agreed that, whether from the political, economic or legal aspect, the case of the Free City of Danzig will be examined by this Commission. It has come before the League often enough for us to be familiar with it and we shall not shirk considering it once again. If after the Drafting Committee has submitted its report, someone submits a proposal to invite the Free City we will discuss the question and it will be easy to agree.

### 13. Appointment of a Drafting Committee.

*The Commission decided to appoint a drafting committee to be composed as follows :*

M. HYMANS (Belgium),  
M. BOUROFF (Bulgaria),  
M. BRIAND (France),  
Dr. CURTIUS (Germany),  
Mr. HENDERSON (British Empire),  
M. GRANDI (Italy),  
M. MOWINCKEL (Norway),  
M. ZALESKI (Poland),  
M. TITULESCO (Roumania).

*It was understood that any member who was unable to attend, would be entitled to send a substitute.*

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## SEVENTH MEETING (PUBLIC).

*Held on Wednesday, January 21st, 1931, at 6 p.m.*

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*Chairman : M. BRIAND (France).*

### 14. Question of the Organisation of the Work of the Commission : Proposals of the Danish Government.

Dr. MUNCH (Denmark) [*Translation*]. — The Danish Government's object in submitting its proposals (Annex 5), in response to the Secretary-General's note, was to provide a basis for the discussion on the Commission's methods of work. My Government thought that, after a general discussion, the Commission should divide into a certain number of sub-committees, each of which would study a group of subjects. In our view, this is the only way of making a really thorough investigation and working out properly considered conclusions.

We suggested three sub-committees. The task of the first is already indicated in the Assembly's resolution of September last, by which we are instructed to submit at the next Assembly resolutions as to the future organisation of European co-operation. We shall have to consider whether co-operation should be merely left to develop in the form it has already assumed in consequence of the appointment of this Commission, or whether we should seek other forms for the work to be done in future. If the proposals of the Danish Government were studied by a sub-committee they would certainly gain in precision and force.

Secondly, we suggested a sub-committee for economic questions. Events have shown the need for a sub-committee of that kind. We set up one such Sub-Committee yesterday, and I imagine that it will have not only to prepare the resolutions which we shall probably adopt at this meeting, but likewise to continue the study of the political means to be employed for the improvement of the present economic situation.

There is a third group of subjects which we have defined by the expression " questions of a general political character ". We used the word " political " in a very broad sense to cover all subjects which are not of a constitutional or economic character. I have in mind, for instance, the desirability of making further efforts to promote moral disarmament and to overcome the spirit of distrust between the various peoples. I may cite, by way of illustration, a scheme which has been mentioned to me as being one of the subjects which we should discuss in our Commission, it is likewise closely related to earlier resolutions of the Assembly. It has been suggested to me that permanent contact should be established between the Press bureaux of the various Foreign Offices, so as to exercise a useful influence on the Press and on public opinion in all European countries. That is one of the many questions that might be discussed in a sub-committee of this kind.

My Government thought it would be wise to make use in these sub-committees of every element of strength at our disposal in the Commission of Enquiry, and so to allocate all the States Members among the sub-committees. We have suggested that it might possibly be decided that the four great Powers should be represented on all the sub-committees. In any case, this possibility should not be ruled out. They have been elected members of the three preparatory and temporary committees which we have set up during this session; they are regularly nominated to all commissions of any importance. It is, in my opinion, quite natural and highly desirable that they should sit on all these sub-committees.

The sub-committees, of course, should not be composed of experts; we have quite enough of such sub-committees already. We want political sub-committees possessing sufficient authority to create the political conditions which will enable us to carry out the programme prepared by the experts in the various fields of work.

But how will these sub-committees work? Foreign Ministers cannot spend all their time at Geneva. I thought that, with the Secretariat's help, the various questions might be discussed by correspondence in the intervals between sessions. The first days of each session might be set aside for the work of these sub-committees. The various subjects examined might then be brought before the plenary Commission after having been thoroughly studied in advance.

At this late stage in our session we cannot, I think, study this question of method closely, but it would, to my mind, be useful to appoint now a special sub-committee to investigate this somewhat important problem before our next session.

M. PROCOPÉ (Finland) [*Translation*]. — I support Dr. Munch's proposal. The sub-committee to be appointed to arrange our programme of work might also consider the Commission's rules of procedure.

The CHAIRMAN [*Translation*]. — Dr. Munch's proposal relates to the organisation of our Commission, and that is the first subject in the terms of reference given us by the Assembly. It also covers the methods of work to be followed. These are questions which we ought to have examined at the outset; but, owing to the very short time at our disposal, we decided to consider immediately the economic problem and its reactions on the European situation.

We have therefore had to defer until the end of the session Dr. Munch's proposal concerning our Commission's constitution, organisation and methods of work. The sub-committee he proposes to set up should be large enough to be sub-divided, if need be, into smaller bodies to study all the various questions we shall submit, and it will submit to us one or more reports on those questions at our next session. We shall then be fully conversant with its facts and so able to study our methods of work and our organisation. I think that these explanations will satisfy M. Procopé.

We might refer to the sub-committee the various questions that have been submitted to us from different quarters dealing with important problems, such as postal matters, passports, currency. Those are problems which merit investigation, and the sub-committee might submit reports on them to us if it finds it possible to do so.

*The Commission decided to set up a Sub-Committee consisting of the representatives of the following countries: Denmark, Finland, France, Germany, British Empire, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia.*

M. VAN LANGENHOVE (Belgium) [*Translation*]. — The Belgian Government has submitted various proposals for the Commission's agenda (Annex 4). These proposals referred to the exchange of electric power; the treatment of foreigners; the extension to new questions of the principle on which the 1930 Commercial Convention is based.

As the time at our disposal has made it impossible for us to discuss these proposals, I should be glad to know whether the Commission proposes to refer them to the Sub-Committee which we have just appointed.

The CHAIRMAN [*Translation*]. — The Belgian Government's proposals will certainly be referred to the Sub-Committee for examination.

#### 15. Examination of the Draft Resolutions submitted by the Drafting Committee.

The CHAIRMAN read the following draft resolutions, which had been adopted unanimously by the Drafting Committee:

##### " I.

" The Commission of Enquiry for European Union,  
" Recognising the exceptional gravity of the crisis through which the agricultural countries of Central and Eastern Europe are passing, and the necessity of remedying

this situation in Europe, without awaiting those more far-reaching solutions which it trusts will be devised and for which the Wheat Conference, to meet in Rome on March 26th, 1931, is to prepare :

" Is of opinion that this situation could be greatly improved if the authorised representatives of the European countries affected (grain-exporting countries of Central and Eastern Europe and European importing countries) were to meet at an early date and make a common effort to find means of *disposing of the grain surplus at present available*. The meeting would be called on the full initiative of the President of the Commission of Enquiry for European Union, and its conclusions would be put into effect without further reference to the Commission of Enquiry.

" II.

" The Commission of Enquiry is of opinion that there will still remain an important question for solution. The measures taken for the disposal of the 1930 harvest and those contemplated below for the establishment of agricultural credit leave the problem of the *export of future harvest surpluses unaffected*.

" (a) The Wheat Conference, which is to meet at Rome in March 1931, will no doubt make suggestions of the utmost importance in regard to the world situation.

" The Commission of Enquiry trusts that the overseas countries affected will consent to take part in this Conference, so that the problem may be examined in all its aspects.

" (b) As regards Europe, it is necessary to set up a committee to study all measures capable of leading to the desired result, including the tariff arrangements demanded by certain countries at the Conference for Concerted Economic Action in November 1930. This Committee will be composed of ten members — namely, the representatives of Austria, Belgium, Czechoslovakia, Estonia, France, Germany, Great Britain, Italy, Switzerland and Yugoslavia. The Secretary-General of the League of Nations will be asked for the assistance of the technical committees, and the International Institute of Agriculture will also be asked to help. The Committee will be summoned very shortly at the instance of the President of the Commission of Enquiry for European Union. It will work as rapidly as possible, and its conclusions will be submitted to the Commission of Enquiry for European Union.

" III.

" With regard to agricultural credit, the Commission of Enquiry for European Union finds that the investigation of this question has been carried far enough for a detailed scheme to be drawn up.

" The Financial Committee has made a very interesting report to the Commission of Enquiry, and the latter notes that the Financial Committee is to continue its investigation.

" It considers it highly desirable that a complete scheme of executory measures should be submitted to the Council of the League of Nations in May next in such detail that, if approved by the Council, it can be put into effect forthwith.

" The Commission of Enquiry accordingly decides to appoint a Committee of ten members — namely, the representatives of Bulgaria, Denmark, France, Germany, Great Britain, Hungary, Italy, the Netherlands, Poland and Roumania — which will, if necessary, hear the views of the representatives of the other countries concerned.

" This Committee will watch the work of the Financial Committee and keep in touch with the matter in order that a detailed programme, both financial and legal, may be submitted to the Council of the League of Nations at its session in May next, so that it may deliberate with full knowledge of the facts and prescribe prompt executory measures should it so decide.

" IV.

" The Commission of Enquiry for European Union,

" Being strongly of opinion that the result of the putting into force of the Convention of March 24th, 1930, would be to create such an atmosphere of stability and confidence as would enable the execution of the programme of future negotiations also drawn up on March 24th, 1930, to be usefully prosecuted and extended ;

" Counts upon its members to do all in their power to ensure that the said Commercial Convention is speedily put into force ;

" And trusts that the bilateral negotiations opened in consequence of the Conference with a View to Concerted Economic Action of November 1930 may be actively pursued.

" V.

" The Commission of Enquiry for European Union,

" Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing :

“ Requests the Secretariat of the League of Nations to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation under Resolution 16 of the eleventh Assembly. ”

It was understood that the International Labour Office would be asked to co-operate in the unemployment question and in so far as the draft covered the Assembly's Resolution 16 mentioned above.

Mr. HENDERSON (British Empire). — I was glad to hear our Chairman say that the question of unemployment will be considered in collaboration with the International Labour Office.

I should like to go, if possible, a little further and give authority to call in any other financial or economic experts who might be of assistance in this question. This is one of the biggest questions with which we are confronted in Europe to-day, and I was somewhat surprised to hear Dr. Munch say that we have too many experts. I do not agree that we have too many experts or too many committees of experts. I should like to see this question studied by someone almost daily on behalf of this Commission and on behalf of the League. The draft resolution instructs the Secretariat to “ acquaint ” this Commission at its May session with the first results of the work done in connection with unemployment. In my view, we ought to be acquainted with those results long before our May session. I should like to ask our Chairman to give permission for this information to be sent to the Governments almost continuously. If we are to come to grips with this question and to take practical decisions in May, we shall need information long beforehand, so that we can consult our Governments and receive instructions before the May session.

I wish to register a complaint that we have not had that assistance in preparation for this meeting. Such assistance would have enabled us to take even more important decisions than those we have reached, and I hope, therefore, that, if it is not possible to change the wording of the text before us, it may be possible to put a very generous interpretation on the last few lines of the resolution and to say : “ call in experts, financial or economic ”.

Dr. MUNCH (Denmark) [*Translation*]. — I did not mean to say that we had too many experts ; I merely pointed out that there were some very competent committees of experts at the League and that what we wanted primarily at the present juncture was committees of a political character, endowed with sufficient authority to take action on the recommendations made by the experts.

M. MARINKOVITCH (Yugoslavia) [*Translation*]. — I agree. We must have effective co-operation between the politicians and the experts ; that has been somewhat lacking hitherto.

M. MOTTA (Switzerland) [*Translation*]. — On reading the draft before us, I noticed that the two committees, proposed under Resolutions II and III, consisted, according to the Drafting Committee's proposal, of ten members each. I would suggest that more States should have a seat on these Committees and that Norway should be added to the Committee to examine the wheat question and Sweden to that which will examine the question of agricultural credits.

*The proposal of the Swiss delegate was adopted.*

The CHAIRMAN [*Translation*]. — In reply to the question put by Mr. Henderson and Dr. Munch, let me say that I entirely agree with them. The question of the experts does not arise ; it is already settled. The two Committees will ask for the assistance of experts, and they will find in the League certain bodies which are perfectly equipped in this respect ; it will therefore be possible to keep us regularly informed of the progress of the work. It is, of course, understood that, although we have suggested May as the date by which the reports should reach our Commission, the members of the Commission will not be prevented from receiving information as and when possible, either as regards results or expectations. You will, however, agree, that we must have for our next session a general report on the situation.

In order to conform to the correct procedure, I may add that, when the draft resolutions have been adopted, I shall make a communication to the Council on the subject with a request that it take note of the resolutions and authorise the technical organisations in the Secretariat to take the necessary action.

M. DE VASCONCELLOS (Portugal) [*Translation*]. — If the draft resolutions are voted as a whole, I must say on behalf of my Government that I shall approve them, but subject to the statements which I made yesterday in connection with Resolution IV concerning the Commercial Convention.

16. **Close of the Session : Draft Resolution submitted by the Representatives of France, Germany, Great Britain and Italy.**

The CHAIRMAN [*Translation*]. — We have now come to the end of our work. I do not want to be carried away by a Chairman's natural inclination to exaggerate, and I shall be careful not to claim any undue credit for what we have done. Nevertheless, I can say that, at our second session, we have done work that is useful and, I hope, effective. It is not so complete as it might have been, had we had more time at our disposal, and, in particular, had we had greater "muscular strength" — that is to say, had we possessed a stronger and older organisation. However, our Commission is only at the beginning of its career, and I shall not be corrected for saying that it has only made its first entry into life. We have therefore, to my mind, no need to be dissatisfied with our efforts, and I hope that, at our May session, when we shall be able to gauge the results obtained in the interval, we shall have reason for satisfaction.

I should not like us to separate without making what I may call a demonstration of confidence before public opinion in our different countries. The President of the Council made an eloquent appeal, which I personally thought very opportune, with the object of dispelling the pessimism felt by some people as a result of certain campaigns which were calculated to disturb and paralyse public opinion.

The economic situation at the moment is such as to deserve our particular and entirely legitimate attention. At times of emergency like these there are sufficient causes for anxiety to make it superfluous to exaggerate them still further by a pessimistic campaign that has no foundation in fact. It therefore gave me great satisfaction to listen to the remarks of the President of the Council, and in my humble capacity I ventured to associate myself with them.

The mere fact that twenty-seven countries are represented here by statesmen who are entitled to regard themselves as having full powers must, I think, have created an impression in our countries that, after all, there is no likelihood of a rupture of the contact that has been established between the responsible men who, when they come to the League, consider it their highest honour to strive for the prevention of war and the maintenance of peace. The mere fact that our discussions have been so courteous, I would even say so friendly, must have had a moral effect. That, however, is not enough, and we should not separate without making some demonstration.

A proposal to this effect will be submitted to you in a draft resolution which has been drawn up jointly by Germany, Great Britain, France and Italy, and, with your permission, we will ask you to associate yourselves with us in this small manifesto as a conclusion to our session and as setting the final seal on our work. The text of the draft resolution is as follows :

"As the result of our discussions and conversations during the last few days concerning the problems which our Governments have respectively to face, it has become plain that economic recovery is now being hindered by lack of confidence in the course of future events due to widespread political anxiety. That anxiety has been increased by irresponsible talk in various quarters concerning the possibility of international war.

"We recognise that there are political difficulties in Europe at the present time, and that these difficulties have been accentuated by the economic instability and unrest which the world economic depression has caused. The best service we can render towards the improvement of the economic position is the firm assurance of European peace. We therefore declare, as Foreign Ministers or responsible representatives of European States, that we are more than ever determined to use the machinery of the League to prevent any resort to violence."

Such is the manifesto in which we ask you to take part, and I hope you will do so unanimously.

*The draft resolution was adopted unanimously.*

M. MOTTA (Switzerland) [*Translation*]. — I have no right to intervene in this discussion at the eleventh hour except, perhaps, as representative of the country where the League — that is to say, the greatest institution ever created for international peace — has its seat. I am sure, however, that I shall be expressing the opinion of all my colleagues, and if they will allow me to say so, my friends, in thanking very warmly our Chairman, who has put all the greatness of his heart and the depth of his intellect into the conduct of our debates, which have been of a most intricate and difficult character.

The declaration made by the Foreign Ministers of the great European Powers is of exceptional force. It has a significance that cannot be overestimated.

In thanking M. Briand for the way in which he has presided over our Commission, I wish to thank likewise the Foreign Ministers of the great Powers for enabling us, their other colleagues, to associate ourselves with their views. If our Commission had produced nothing else, this meeting would have been fully justified.



Mr. HENDERSON (British Empire). — I wish to associate myself wholeheartedly with the remarks made by M. Motta.

We are greatly indebted to our Chairman for the way in which he has conducted our business, and especially for the final success he has secured in the unanimous adoption of the resolution which he has just read to us. This has been a very successful session, and I sincerely trust that our future work will be equally successful. I am quite certain, Mr. Chairman, that, by your excellent guidance, success must always be achieved in so far as success is possible. Therefore, as a member of this Committee and as President of the Council, knowing the valuable work we have still to do, I want to join in the thanks that have been expressed by M. Motta.

The CHAIRMAN [*Translation*]. — I am deeply touched and greatly embarrassed. I thank most sincerely my colleagues and friends, M. Motta and Mr. Henderson, for their very flattering references to me. My colleagues have made my task much easier by smoothing away everything that might have caused difficulty and leaving me with only the pleasant duties to perform. The Chair has had the constant help of your goodwill. If at this session there has been some fumbling in regard to procedure, we must ascribe it to the fact that the Commission was young and that the Chairman was serving an apprenticeship which, though not difficult, was not without its hazards.

I hope that at our next session, when our organisation has been completed and properly equipped, we shall, in the fullness of our authority, achieve good work under the auspices of the League.

At the end of this session there is one act to be accomplished which you will all understand. I turn to the members of the League Secretariat, of whose assistance the Assembly, guided by a happy inspiration, authorised us to make use. I thank them for their help. They have facilitated our work, and I trust that you will associate yourselves with my expression of gratitude to them.

I declare closed the second session of the Commission of Enquiry for European Union.

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ANNEX 1.

REPORT BY THE SECRETARY-GENERAL ON CERTAIN TECHNICAL  
QUESTIONS WHICH HAVE BEEN DEALT WITH BY THE  
LEAGUE OF NATIONS

INTRODUCTION.

At the meeting of the Commission of Enquiry for European Union, held on September 23rd, 1930, the Chairman suggested that it might be useful for the Secretary-General to collect information which might prove of value to the members of the Commission.

It has seemed to the Secretary-General that it might be of use to place before the Commission an account of certain technical questions which have been dealt with by the League in the past and which are at present under consideration, questions which have, directly or indirectly, a bearing on the present economic crisis on which the Secretary-General has been asked to report.

As regards the past, questions have been selected in the solution of which special interest has been shown by European States. As a criterion of special interest may be taken the fact that a Convention has been ratified, or carried into effect principally or solely by European States, or the fact that a conference has been summoned by the Council on a purely European basis, or, alternatively, that, in fact, European States have solely or principally elected to attend a conference open to all.

As regards work actually in hand, the questions described have been chosen from amongst those already entrusted to the technical organisations and which appear at this moment to have a special value for European States or to need for their solution special action by European States.

In view of these considerations, the following Sections of the Secretariat have prepared descriptions of their work on the bases indicated : the Economic and Financial, Transit and Health Sections. Should it be desired, memoranda on humanitarian questions and questions connected with intellectual co-operation could subsequently be prepared.

The Secretary-General has therefore the honour to submit these memoranda and to summarise in this introduction some of the more important points which emerge from these studies.

\* \* \*

*The Economic and Financial Section* in its report draws attention to the following points :

1. For the progressive execution of the programme of concerted economic action, great importance attaches to the putting into force of the *Commercial Convention*, a decision as to which is to be taken at a conference proposed for the second half of March 1931 (III, 2 (a)).

2. Equal importance attaches to the *results of the negotiations* which are to be begun, as a sequel to the second Conference which took place in November last, between Great Britain on the one hand and those Continental countries which are the principal importers of British goods on the other (III, 2 (b)).

3. It is desirable to resume consideration of the *Convention for the Abolition of Prohibitions* with a view to an effort to find a solution for the special obstacles which prevented the Convention — after it had received the ratifications of eighteen European States and of Japan and the United States of America — from coming into force under conditions enabling it to have its full effect in Europe (III, 2 (c)).

4. In view of the serious situation of agriculturists, particularly in the countries of central and eastern Europe, owing to the absence or defective organisation or excessive cost of *agricultural credit*, the last Conference with a View to Concerted Economic Action explicitly requested the Council to treat this question as urgent, particularly in the case of the countries mentioned above where these difficulties are

exceptionally grave. Certain European countries have already arrived at agreements on various aspects of the agricultural problem (I, (c) and III, 2 (d)).<sup>1</sup>

5. The Fiscal Committee, being a permanent organ of the League and including in its composition the most qualified experts, is able, thanks to its studies of model conventions for the avoidance of *double taxation and tax evasion*, to offer valuable assistance to all countries desirous of concluding conventions of this kind with one another, whether bilateral or plurilateral (I, (a)).

6. The Financial Committee, a body which has given numerous proofs of its competence, is at the disposal of the Council (as expressly stated in its last report) for the purpose of consultation and advice to any country or group of countries desiring such on all questions within its competence (I, (b)).

7. The statistical and economic intelligence service is organised so as to supply accurate details, not only in regard to the position and relations of the various countries whether Members of the League or not, but also in regard to the relations of the various *continents* considered as such and in particular the relations between Europe and the rest of the world (II).

\* \* \*

Among the questions under consideration by the *Communications and Transit Section* may be cited the International Status of Broadcasting (II, A), the European Conference on Road Traffic (I, H), Air Transport Co-operation (I, F), and the Unification of European River Law, the first European Conference on which has just come to an end (I, G).

Further, the Transit Organisation has under consideration — again in conjunction with the Conference with a View to Concerted Economic Action — the questions of the transport of agricultural products, the rationalisation of transport, and the adjustment of railway tariffs from the standpoint of indirect protection (II, B).

Among the subjects dealt with in the past may be mentioned the studies of the position of inland navigation in Europe, particularly on the Rhine and Danube (I, A), and the questions of competition between waterways and railways (I, A), the international passport regime, etc. (I, C), the unification of tonnage measurement in inland navigation in Europe (I, B) and the European Conference on Cards for Emigrants in Transit (I, D).

The Statute of the Communications and Transit Organisation allows the Council of the League to summon limited conferences, to which only States specially interested in particular questions are invited. The Secretary-General of the League despatches a notification of the summoning of limited conferences to all members of the Transit Organisation in good time before the opening of such conferences.

\* \* \*

A substantial part of the constructive work of the *Health Organisation* has been done in Europe, partly because modern principles of hygiene and preventative medicine are well known there and partly because the great war had a detrimental influence on health conditions in Europe, that called for immediate remedial measures. The experience gained in dealing with this situation has since been available and of use for countries outside Europe.

In 1922, for instance, a conference of representatives of European Powers, organised by the League, met at Warsaw to devise means of checking the epidemics then rife in Eastern Europe as the result of famine, movements of populations and post war repatriation. It was considered that no scheme of economic reconstruction of Europe was possible until effective measures had been taken against epidemics (A, I and II).

Information concerning epidemics is distributed regularly from Geneva and Singapore. This proved of value to the national health administrations in Europe in checking influenza in 1926, 1927 and 1929.

The Council has recently decided to convene, in April 1931, a European Conference on rural hygiene considered as one of the most important factors in raising the standard of living in rural areas. Much preparatory work has been and is being done in view of this conference. Invitations have been issued to the Governments of non-European States which have a special interest in rural problems to send observers to the Conference (C).

Comparative studies of various diseases of world importance have been made in Europe owing to the greater facilities for research; cancer, malaria, infant mortality are examples.

Health insurance, which was first applied in Europe, is another subject of which a study has been made by the Health Organisation.

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<sup>1</sup> As regards points (1) to (4), M. Colijn, President of the Conference with a View to Concerted Economic Action, will be present in Geneva during the meeting of the Commission of Enquiry for European Union in order to supply information on the main questions left unsettled by that Conference.

## I. REPORT ON THE WORK OF THE ECONOMIC AND FINANCIAL ORGANISATIONS.

The following notes indicate "among the work already entrusted to the Economic and Financial Section those questions which appear at this moment to have a special value for European States or to need for their solution special action by them".

### 1. FINANCIAL WORK.

The bulk of the financial work of the Section has consisted either of the study of general questions such as the problem of the fluctuations in the purchasing power of gold, or of specific reconstruction work in individual countries.

The following, however, appear to present some special interest from the point of view of Europe :

#### (a) *Double Taxation.*

While double taxation has been studied as a general world problem and the United States of America, for example, has taken special interest in it, the fact that the discussions have resulted in drawing up model bilateral conventions intended to facilitate agreements between pairs of countries involves incidentally that pairs or successive groups of countries in Europe have at their disposal a mechanism which they can utilise as fully as they desire for the removal of one important impediment to the flow of capital from one country to another. This work is under the control of a permanent *Fiscal Committee*, which consists of the budget experts of the different countries, and offers a convenient means of consultation between the officials of the different taxation departments, and, if desirable, joint work upon any subject within the sphere of fiscal policy and practice.

#### (b) *Advice without League Loans.*

Hitherto the Financial Committee, in giving advice to a particular country on its financial problems, has usually made a scheme involving the issue of a loan under League auspices and has felt responsible not only for the advice given but for the due execution of the scheme, this involving varying degrees of external control over the policy of the country in question.

The Council has, however, recently approved a proposal of the Committee that it should hold itself ready at all times to give advice on any suitable question within the sphere of financial problems without assuming any further responsibility and therefore without subjecting the country in question to any risk of any form of external control. This decision of the Council of September last appears likely to open a wide field of useful *collaboration of the League's organs with European countries*, although, of course, such advice and assistance is equally open to any Member State, whether in or outside Europe.

#### (c) *Agricultural Credits.*

The problem of agricultural credits, while it may at any time be of interest to any agricultural State as borrower and other countries as lenders, is obviously at the present moment of very special interest to certain countries *in the centre and east of Europe*.

The Council has approved a proposal of the Financial Committee to consider at its meeting in January 1931 whether it can make any useful contribution to this problem. What is contemplated is that, by advice as to the best form of national legislation or mortgage security, etc., from the point of view of attracting external capital, the Financial Committee might help to remove some of the present obstacles which render borrowing by agricultural countries more difficult. Help of this kind, and not the issue of loans under League auspices, which, in view of the purposes of the loan and the varying credit of different countries, would present very great difficulties, is what may be expected as a possible result.

### 2. ECONOMIC AND FINANCIAL INTELLIGENCE WORK.

The economic and financial intelligence work of the Section is, of course, of a general world character, but it is being developed in such a way as to be a useful auxiliary to the study of problems from the point of view of any particular part of the world or group of countries, enabling, for example, the special relationship of the trade of European countries to each other to be clearly seen, as also *their relationship as a continent* with the trade of other parts of the world.

### 3. CONCERTED ECONOMIC ACTION.

The *Tenth Assembly*, struck by the fact that the recommendations of the Economic Conference of 1927 had remained without practical effect, particularly in the case of the lowering of tariffs, prepared a concerted programme of a far-reaching character which was to proceed by stages and to be based on two clearly defined methods — namely, the *establishment of a period of truce* ensuring the maintenance of the *status quo* as regards tariffs, and *negotiations between the States concerned* during this tariff truce on the basis of a programme previously prepared.

#### (a) *First Conference.*

The first stage in this programme of concerted action was the Conference held in February and March of this year. All States without distinction were invited to this Conference; but, as might have been anticipated from the prominence given in the Tenth Assembly debates to the extreme gravity of the economic situation in Europe, the Conference assumed, in fact, an essentially European character.

In accordance with the programme, the Conference produced two Acts — the *Commercial Convention* and the *Protocol regarding the Programme of Future Negotiations*.

The *Commercial Convention* took the place of the Customs truce which the Tenth Assembly had had in mind. It provides for the assumption of a number of obligations which, while not stipulating the absolute cessation of increases of Customs duties, tend nevertheless to achieve the same result without imposing a rigid rule which the legislation or internal situation of certain States would make it impossible for them to accept.

Although this Convention is not yet in force, it has already had its effect (since its signature on March 24th, 1930) as a pacifying and stabilising element in the tariff field.

The *Protocol of Future Negotiations* proposed, in the first place, the study of concerted solutions for a number of problems affecting international commercial relations outside the question of Customs tariffs.

In the second place, it contained a questionnaire dealing with international trade in agricultural and industrial products, and thus constituting a possible prelude to tariff negotiations.

Neither the *Commercial Convention* nor the *Protocol regarding the Programme of Future Negotiations* have been signed by any but European States.<sup>1</sup>

The conditions of putting the Commercial Convention into force and the initial negotiations in virtue of the Protocol were to form the subject of a *second Conference*, which came to an end on November 28th last.

#### (b) *Second Conference.*

The results of the second Conference are recorded in the Final Act signed on November 28th, 1930 (see document A.E.C. 17 (1)).

The President of the Conference, M. Colijn, will be present at Geneva during the meeting of the *Commission of Enquiry for European Union* to provide the latter with information on the principal questions left over by the Conference.

It is sufficient, therefore, to state that, amongst the resolutions contained in the *Final Act*, there were four which would seem to call for the special attention of the *Commission of Enquiry for European Union*, in virtue of their *importance and urgency* — namely, the resolutions on:

(a) The putting into force of the Commercial Convention;

(b) The negotiations which are about to begin between certain States with non-negotiable tariffs and certain other States with negotiable tariffs, and, in particular, between Great Britain on the one hand and those Continental States which are large purchasers of British exports on the other;

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<sup>1</sup> The *Commercial Convention* has been signed by Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Great Britain and Northern Ireland, Greece, Italy, Latvia, Luxemburg, the Netherlands, Norway, Poland, Roumania, Sweden and Switzerland, and ratified by Belgium, Denmark, Finland, Great Britain and Northern Ireland, Italy, Latvia, Luxemburg, Norway, Sweden and Switzerland.

The *Protocol regarding the Programme of Future Negotiations* has been signed by all the countries of Europe except Albania.

The Eleventh Assembly explicitly recognised the close connection between the current development of concerted economic action and the objects of the Commission of Enquiry for European Union in the following resolution:

“ The Assembly.

“ Considering that the Commission set up by the Assembly resolution of September 17th, 1930, was instructed to consider the possibilities of close co-operation between European Governments in every field of international activity, including the economic field, and consequently the problems which this Commission will have to study are, to some extent, the same as the problems set forth in the Protocol regarding the Programme of Future Negotiations of March 24th, 1930, more especially as regards the most-favoured-nation clause and commercial policy:

“ Recommends that a close connection should be maintained between the work of this Commission and that involved in the execution of the above-mentioned Protocol, as both are of primary interest to the same States.”

- (c) Reconsideration of the Convention for the abolition of prohibitions ;
- (d) Agricultural credit, particularly for the States of Central and Eastern Europe.

1. *Putting into force of the Commercial Convention.* — Only eight States (Belgium, Denmark, Finland, Great Britain, Latvia, Norway, Sweden and Switzerland) had ratified before the end of the time-limit on November 1st, 1930. Italy and Luxemburg ratified a few days later.

In the circumstances, the Conference felt bound to postpone the putting into force of the Convention in order to await the ratifications of the other States, the co-operation of which was considered indispensable. The Commercial Convention has, in fact, been approved by the French Chamber of Deputies, and is now before the Senate. It will come before the Reichstag at the latter's next meeting ; and, from the information to hand, the ratification or accession of a number of other countries appears probable comparatively soon.

The Conference accordingly postponed its decision to a subsequent meeting (the date suggested for which is the latter half of March), at which it will be possible to take a decision with regard to the putting into force of the Convention with knowledge of the facts.

*The putting into force of the Commercial Convention is clearly of the first importance for the progressive execution of the programme of concerted economic action.*

2. *Tariff and other negotiations between Great Britain (and the Netherlands, and possibly other countries with non-negotiable tariffs), on the one hand, and certain other Continental States on the other.* — As a result of arrangements made during the Conference, the above negotiations are about to begin between Great Britain (and, possibly, the other States mentioned) and those Continental countries which take a considerable proportion of British exports. The countries in question with conventional tariffs are Belgium, France, Germany, Italy, Poland, Switzerland, etc.

When it is added that the special situation of Great Britain obliges her to make her decision with regard to the putting into force of the Commercial Convention conditional on the progress of these negotiations before April 1st next, *the Commission of Enquiry for European Union will readily appreciate the importance attaching to the results of these negotiations.*

3. *Reconsideration of the Convention for the Abolition of Prohibitions.* — The Convention for the Abolition of Import and Export Prohibitions, an international instrument intended to ensure freedom of commerce and particularly the circulation of raw materials under pre-war conditions, had been ratified on June 30th, 1930, by eighteen European States,<sup>1</sup> as well as by the United States of America and Japan.

Seven States<sup>2</sup> have put this Convention into force *unconditionally*, and are bound by it until June 30th, 1931 ; but the seven States are precisely those who have not had recourse hitherto to the system of prohibitions, except on the rarest occasions.

To enable this Convention to have its full effect, it would have to be put into force by all European States of economic importance.

In November 1929 this result was very near being achieved ; but the fact that Poland did not see her way to ratify led, owing to the close economic interdependence of the European countries, to the break-up of the important group of countries which had supported the Convention.

At the recent Conference it became clear that the desire to make this agreement sufficiently extensive and thus to preclude finally a return to the system of prohibitions — always a possibility in a period of crisis — is shared by a very large number of European countries. It is possible that certain recent new developments may have a favourable effect on the situation and help the solution desired, particularly as the difficulties in the way are well known and clearly limited.

*This is therefore another subject which deserved the full attention of the Commission of Enquiry for European Union.*

4. *Agricultural credit, particularly for the States of Central and Eastern Europe.* — The agricultural States of Eastern Europe, actuated by the identity of their interests, were led, as the result of a succession of conferences, beginning with that of Warsaw in August last, to submit, within the framework of the Protocol of Future Negotiations, a number of requests and suggestions, of which the two chief were for *the granting of preferential Customs treatment for cereals coming from these countries, and the possibility of obtaining credits on reasonable terms*, to allow of effective relief to the agriculturists of those countries who are going through a deep-seated and dangerous crisis.

<sup>1</sup> Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Germany, Great Britain, Hungary, Italy, Luxemburg, Netherlands, Norway, Portugal, Roumania, Sweden, Switzerland and Yugoslavia.

<sup>2</sup> Denmark, Great Britain, Japan, Netherlands, Norway, Portugal and the United States of America.



The first of these proposals raised questions of principle of very great difficulty, owing to the general application of most-favoured-nation treatment, and it was not possible to arrive at the results for which the countries putting forward these proposals had pressed.

On the other hand, the Conference devoted the utmost attention to questions of *agricultural credit*, and requested the Council to take up the study of this question without delay. (The question has already been discussed in Chapter I of the present note dealing with financial questions.) This is a new field of work in the economic reconstruction of Europe.

*The Commission of Enquiry for European Union will realise the importance of this question, and will no doubt desire to give it its attention.*

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*Note.* — The Conference also passed other resolutions, on the treatment of foreigners and the study of non-tariff questions. These matters, though of great importance, do not appear to have the character of immediate urgency which has guided the Secretariat in the drafting of the present note.

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## II. REPORT ON THE WORK OF THE COMMUNICATIONS AND TRANSIT ORGANISATION IN THE EUROPEAN SPHERE.

### 1. QUESTIONS EXAMINED IN THE PAST AND WORK IN PROGRESS.

#### A. *Effect given to the Resolutions of the Genoa International Economic Conference of 1922 relating to Transport.*

In pursuance of the resolutions relating to transport adopted by the Genoa Conference, the Advisory and Technical Committee for Communications and Transit, to which the resolutions had been sent, first of all had an enquiry made into the *position in regard to transport by rail*. This enquiry was to find an answer to the three following questions :

(1) What action has been taken up to the present to restore or improve the organisation of railways and means of communication, and what assistance might be required in the future?

(2) What are the possibilities of supplying other States with such assistance as they may require both in expert staff and in material?

(3) What effect has been given up to the present to the Porto-Rosa Agreements, and to what extent have the principles contained in them been applied?

On these various points the States concerned were requested to forward the necessary information to the Secretariat of the Committee. As regards certain countries, however, in the case of which the problems were particularly complicated, a slightly different method was employed, and the Committee appointed Colonel Mance as expert to get into touch with the competent technical services of those countries and co-ordinate the information received from them. In August 1923, Colonel Mance submitted a report on the position in regard to transport by rail in Bulgaria, Hungary, Poland, Roumania, Yugoslavia and Czechoslovakia. At the same time, the Secretariat published a note on the restoration and improvement of railway communications in the rest of Europe (see document A.64.1923.VIII). The Communications and Transit Committee, after considering the information received and Colonel Mance's report, adopted, in August 1923, a resolution expressing the opinion that the chief problems arising in connection with the restoration and improvement of transport by rail were not of a technical nature, but were financial problems connected with the stabilisation of currencies and the granting of credit.

In 1924, in consequence of a resolution adopted by the Sub-Committee for Inland Navigation, it was decided to undertake a *study of the position in regard to inland navigation in Europe*, both in its technical and, more particularly, in its commercial and administrative aspects. To this end, a procedure similar to that followed for the enquiry into the railways situation was adopted, and the Secretariat addressed a request for information to all the European Governments. In addition, Mr. Walker D. Hines, a former arbitrator on questions of river shipping under the Peace Treaties, agreed to undertake a special study of navigation on the Rhine and Danube. The report on the Rhine deals with five distinct questions — viz., railway competition; French super-tax; Customs seals; Customs practices at Cologne; the *Begleitschein* and the *Vrachtilijst*. The report on the Danube, which represents material of the first importance, deals principally with the following questions: Volume of traffic; organisation of the different shipping companies and composition of their fleets; influence

of general economic conditions, especially in Roumania; river *cabotage* and the position as regards territorial waters; state of the Channel; Customs and other frontier formalities; port facilities; work of the International Danube Commission; work of the European Commission of the Danube; possibilities of improving the efficiency of navigation; co-operation between railways and shipping.

At its session of January 1926, the Sub-Committee for Inland Navigation adopted the following resolutions, among others:

“ I. The Sub-Committee considers that the conclusion by the Danubian States of treaties of commerce would help to re-establish economic conditions favourable to the development of river navigation.”

“ II. The Sub-Committee draws the attention of the International Danube Commission to the necessity, in the interests of the rational utilisation of the river, of applying Article II of the Danube Statute, which provides for the establishment of a general programme of improvement.”

“ III. The Sub-Committee considers that it is extremely desirable to simplify Customs formalities on the frontiers.”

“ IV. The Sub-Committee notes with satisfaction the statements made which show that the desired agreements will shortly be concluded for ensuring in all Austrian, Hungarian and Czechoslovak ports on the Danube entire equality of treatment for the shipping companies of the various countries as regards the allocation of wharfside and warehouse accommodation. It considers that the same spirit should be shown in settling such questions in the other Danube ports.”

“ V. The Sub-Committee thinks it would be desirable for States to adopt as far as possible a liberal policy which would enable shipping companies to utilise, in a rational and economic manner, both the international system and national waterways, including ports.”

The general enquiry into the situation of inland navigation in Europe apart from the Rhine and Danube basins elicited replies from the Governments of the following countries: Austria, Belgium, Finland, France, Germany, Great Britain, Hungary, Italy, Latvia, Luxemburg, Netherlands, Sweden, Switzerland, and the Union of Soviet Socialist Republics. These replies were collected in document C.553.M.209.1926.VIII, Annex I, and were discussed by the Sub-Committee for Inland Navigation in July 1926. As a result of these discussions the Sub-Committee adopted a resolution from which the following extracts may be of interest:

“ The Sub-Committee notes :

. . . . .

“ (2) That, if the traffic, though it is increasing on the whole, has not attained its pre-war level, this is due not to causes of a technical nature but to internal economic conditions in the various countries and the post-war changes in international trade relations; and that, from both the above standpoints, an improvement in the traffic on navigable waterways depends primarily on an increase in the volume of trade;

“ (3) That the work of improving the network of navigable waterways and preparing new waterways is, in most countries, proceeding slowly owing to lack of funds, as a result of the need for budgetary economy and the difficulty of obtaining credits; but that efforts are being made to put fresh work in hand on strictly commercial lines, notably in conjunction with the utilisation of hydraulic power;

“ (4) And that, with reference to the international co-operation contemplated by the Genoa Conference, the Sub-Committee has already been able to provide one Government with the assistance of a committee of experts to give an opinion on a programme of hydraulic work and the preparation of new waterways, and that such a system of co-operation would seem feasible in other cases, more particularly with a view to securing the systematic co-ordination of the programmes outlined in various countries.

“ Although the Sub-Committee has not extended its general enquiry to the progress made in the ratification of the Barcelona Convention concerning the regime of navigable waterways of international concern and the framing of the Acts of navigation for international rivers, it would draw attention to the desire expressed by the Genoa Conference that effect should be given as speedily as possible to these Acts or Conventions which, in their own sphere, tend to ensure that freedom of international communications without which the network of European waterways cannot be utilised to its full extent.”

A special Committee was appointed to make a more detailed study of questions relating to competition between railways and waterways. In March 1929, this Committee submitted its report (document C.127.M.43.1929.VIII), which terminates with the following, among other conclusions :

“ What the Committee recommends in this situation is that all railway rates, general as well as exceptional ones, should be put to the test of figures of actual self-costs.

“ As a general rule, the principle which ought to apply is, according to the Committee, that no rates should be quoted below additional cost of carriage, and that no route should be preferred to a less expensive one, the value of the service rendered being the basis in both cases.

“ If, none the less, it should be considered necessary, for political or other reasons, to act otherwise, it is highly to be recommended that such a step should never be taken without full knowledge of the facts and public information about them.

“ As the railways are in that case deflected from the purposes of transportation, it might even be wished that other means than railway rates were used in the service of such a policy. The Committee thinks that in these cases actual bounties, to the benefit of traffic to or from particular ports, would be preferable to laying the railways under contribution and, consequently, either diminishing their surplus or making use of them as a means of taxing the consumer. Such a policy would make the situation clearer and facilitate international adjustments.”

This report was forwarded to the Governments by the Communications and Transit Committee.

#### B. *European Conference on the Tonnage Measurement of Vessels in Inland Navigation.*<sup>1</sup>

This Conference was held in November 1925, and led to a Convention on the tonnage measurement of vessels in inland navigation, which contains as an annex technical regulations establishing a uniform method for the tonnage measurement of such vessels, and provides for the mutual recognition of tonnage certificates issued by the competent authorities of the contracting States in conformity with the stipulations of the Convention and the regulations annexed thereto. The following are at present contracting parties to the Convention : Austria, Belgium, British Empire (for Great Britain and Northern Ireland), Bulgaria, Czechoslovakia, Free City of Danzig, France, Germany, Hungary, Netherlands, Poland, Roumania, Spain, Switzerland, Yugoslavia.

#### C. *International Regime of Passports, Visas and Other Similar Questions.*

Two special Conferences have been held under the auspices of the Communications and Transit Organisation, one in 1920 and the other in 1926, with a view to simplifying the administrative formalities.

Although representation at these conferences was in no way confined to European countries, they answered chiefly to European needs, and the results have mainly made themselves felt in Europe.

The 1920 Conference adopted a uniform model passport and recommended a large number of changes in the existing regime, aiming, if the system of passports and visas could not be altogether abolished, at least at diminishing the inconveniences of this system by a reduction in the cost of passports and visas, the prolongation of their duration, and the conclusion of agreements between countries for the abolition of entrance visas wherever it might appear possible. The Conference asked for the immediate abolition of exit visas. The majority of the measures recommended by the Conference have been gradually put into effect by the different countries, and the Advisory and Technical Committee, by periodical enquiries, has satisfied itself that the efforts it set on foot are being steadily pursued.

The 1926 Conference, although unable to bring about the abolition of passports or even the complete abolition of visas, nevertheless secured the abolition of visas as between a large number of countries, and achieved fresh progress, particularly with regard to the cost and duration of validity of passports and visas.

<sup>1</sup> In virtue of Article 12 of the Statute for the Organisation for Communications and Transit adopted by the Third General Conference on Communications and Transit (September 2nd, 1927) :

“ . . . limited conferences are conferences to which a certain number of States only are invited to send representatives for the purposes of the examination of questions which specially interest such States. Limited conferences may be summoned by the Council on the proposal of the Advisory and Technical Committee. The Advisory and Technical Committee shall indicate in its proposal the names of the States which are, in the opinion of the Committee, specially interested.

“ The Secretary-General of the League shall despatch a notification of the summoning of a limited conference to all the members of the Organisation at least four months before the opening of such a conference.”

The Third General Conference drew up a model identity document for persons without nationality or of doubtful nationality who, owing to their position, could not obtain passports. The recommendations of the Third General Conference on this point have been put into effect by nearly all the countries of Europe.

*D. European Conference on Cards for Emigrants in Transit.*

This Conference was held in June 1929, and adopted an arrangement concerning the introduction of a transit card for emigrants. The arrangement, which came into force on September 12th, 1929, is based on humanitarian considerations, and aims at simplifying the transit formalities for emigrants crossing the territories of the contracting Governments. Transit cards are intended to help emigrants proceeding from Europe to oversea countries. They are made out by the Government of the port of embarkation and delivered to those concerned by the shipping companies. The arrangement, which provides for a uniform model for transit cards, lays down the conditions to be fulfilled by the emigrant in order to obtain one of these cards, which will exempt him from consular visas in the countries traversed, the latter also having undertaken not to charge any special administrative or transit tax. The arrangement is at present in force in the following countries: Austria, Belgium, Finland, France, Germany, Great Britain and Northern Ireland, Italy, Netherlands, Poland, Roumania, Saar Territory, Spain.

*E. European Conference on the Transport of Newspapers and Periodicals.*

This Conference, which was convened by the Council as a result of the work of the Conference of Press Experts held at Geneva in August 1927, met from November 25th to 29th, 1929. It adopted a certain number of recommendations relating chiefly to the transport of daily newspapers in international traffic, the rates charged, Customs and police formalities, Customs and fiscal duties on newspapers, the dropping of packets of newspapers from aircraft, and postal questions relating to newspapers and periodicals. It was also recommended that detailed regulations concerning the transport of daily newspapers should be drawn up by the International Railway Union, which would endeavour to lay down uniform rules. In conformity with the Conference's recommendations, the appropriate committee of the I.R.U. considered this question at its session in March 1930, which was attended by representatives of those postal administrations that possess a monopoly of the transport of packets of newspapers. The committee of the I.R.U. drew up uniform regulations applicable to the transport of daily newspapers, which will shortly be submitted to the Managing Committee of the I.R.U. for approval. The recommendations of the European Conference are thus in process of execution.

As regards Customs and fiscal duties on newspapers, a joint committee of the Fiscal Committee and the Advisory and Technical Committee for Communications and Transit has been set up, and will be called upon to deal with the question in the spring of 1931. The following Governments took part in this Conference: Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France, Germany, Great Britain and Northern Ireland, Hungary, Italy, Netherlands, Poland, Portugal, Roumania, Saar Territory, Spain, Sweden, Switzerland, Turkey and Yugoslavia.

*F. Air Transport Co-operation.*

The Air Transport Co-operation Committee met at Geneva in July 1930. By its composition and terms of reference, this Committee's sphere of activity is by no means confined to Europe, but is worldwide. In the programme of work drawn up by the Committee at its first session, however, the study of certain questions is provisionally confined to Europe until technical conditions make it possible to extend this study. These questions are:

1. *The constitution and operation of the main network of permanent air routes, for which the following programme of study has been drawn up:*

- (1) The choice of permanent air routes to form the main system;
- (2) An international programme for the equipment of these routes so as to permit of uninterrupted day and night flying;
- (3) The manner in which this network should be operated, namely:
  - (a) The selection by inter-governmental agreement of qualified enterprises and the specification of traffic conditions;
  - (b) The granting to all undertakings, engaged in the traffic over this system, of the widest possible facilities for choosing their equipment, from the sole standpoint of efficiency, provided this equipment complies with the international requirements regarding navigability.

2. *Postal air transport*, for which the following programme of study has been drawn up :

(1) To prepare a map of the air lines to be established between the capitals of the European countries and the points of importance to postal traffic in these countries. For this purpose, the Committee will get into touch with the competent authorities in the different countries ;

(2) To indicate the necessary conditions for marking out air routes by night ;

(3) To propose suitable means for increasing the equipment required for ensuring traffic in foggy weather ;

(4) To draw up specifications of the performance and special qualities required of one or more types of aircraft to be utilised on these lines, taking into account the estimated freight and local topographical and meteorological conditions ;

(5) To study the question of the surtax ;

(6) To discuss with the postal services concerned the best methods for handing over mail to aircraft, the distribution of mail, etc. ;

(7) To consider the form which international co-operation should take in the operation of the postal air service, and to study, if necessary, with the competent authorities of the different countries concerned, the sections which might be operated by each.

#### G. *European Conference for the Unification of River Law.*

A first European Conference for the Unification of River Law, convened by the Council, was held at Geneva from November 17th to December 9th, 1930. This Conference resulted in the conclusion of three international conventions, viz. :

(1) Convention for the Unification of Certain Rules relating to Collisions in Inland Navigation, which has already been signed on behalf of Belgium, Czechoslovakia, Free City of Danzig, France, Germany, Hungary, Italy, Netherlands, Poland, Roumania, Switzerland, Yugoslavia ;

(2) Convention on the Registration of Inland Navigation Vessels, rights *in rem* over such vessels, and other cognate questions, already signed on behalf of Belgium, Czechoslovakia, Free City of Danzig (*ad referendum*), France, Germany, Hungary, Italy, Netherlands, Poland (*ad referendum*), Switzerland, Yugoslavia ;

(3) Convention on Administrative Measures for attesting the Right of Inland Navigation Vessels to a Flag, already signed on behalf of Belgium, Czechoslovakia, France, Hungary, Italy, Poland, Yugoslavia.

#### H. *European Conference on Road Traffic.*

The Council has decided to convene for March 16th, 1931, a European Conference on Road Traffic. The agenda of this Conference will include the following questions :

(1) Conclusion of a Convention on the International Regulation of Commercial Motor Transport ;

(2) Conclusion of an International Agreement on the Unification of Road Signalling ;

(3) Agreement between Customs Authorities to facilitate the Cancellation of Undischarged or Lost Triptychs ;

(4) Conclusion of a Convention on the Taxation of Foreign Motor Vehicles.

## 2. QUESTIONS UNDER CONSIDERATION LIKELY TO BE OF SPECIAL IMPORTANCE TO EUROPEAN COUNTRIES.

### A. *Status of Broadcasting.*

The question of an international status for broadcasting, although it is not merely of European interest in some of its aspects, is nevertheless a problem of special importance to Europe, in view of the large number of countries concerned and broadcasting stations in close proximity to one another. The Communications and Transit Committee, which has already had to deal with certain aspects of the problem of the international organisation of broadcasting—a problem which is also of special concern in connection with intellectual co-operation—adopted the following resolution at its thirteenth session (March 1929) :

“ The Advisory and Technical Committee for Communications and Transit has noted the report adopted by the Assembly at its last ordinary session concerning the

study of the distribution of broadcasting wave-lengths, and also the statements submitted to it by the Director of the International Bureau of the Telegraphic Union and by the representative of the International Broadcasting Union.

“ The Committee feels that it would be difficult for it to intervene in the examination of a specific broadcasting question without having a general view of the problems raised by the international organisation of broadcasting.

“ It reaffirms its anxiety not to interfere with the international organisations established by international conventions in the exercise of the functions provided for in these conventions.

“ It requests the Secretary-General of the Committee to prepare for a future session a report on the international problems connected with the organisation of broadcasting, obtaining, if necessary, the assistance of experts appointed at his request by the Chairman of the Committee.

“ The Committee regards it as essential, in order to ensure the necessary co-ordination between the various organisations interested in broadcasting, that the Advisory and Technical Committee should be kept in constant touch with these organisations and should be represented in an advisory capacity at the conferences held under their auspices, it being understood that these organisations will also be invited to send representatives to the Advisory and Technical Committee when the latter discusses questions relating to broadcasting.”

#### B. *Consequences of the Preliminary Conference with a View to Concerted Economic Action.*

A resolution of the Council dated May 12th, 1930, having referred to the Communications and Transit Committee a certain number of questions raised by the Preliminary Conference with a View to Concerted Economic Action held at Geneva from February 17th to March 24th, 1930, which were inserted in the annex to the Protocol concerning the programme of future negotiations, the Committee reached the following decisions at its fifteenth session (September 1930) :

##### 1. *Transport of Agricultural Products.*

The Committee requests its Chairman :

(1) To appoint three experts who shall be instructed to submit, with the co-operation of the Secretariat, a preliminary report on this question to the next session of the Committee ; it will be the duty of the experts to secure such documentary material as they may deem necessary ;

(2) To invite the Governments to transmit to the Secretariat, before February 1st next, all available information as to the disadvantages imposed on the transport of agricultural products by the present situation, and also as to the measures they would recommend with a view to remedying that situation ; the Chairman of the Committee will endeavour, if need be with the aid of the above-mentioned experts, to make clear in his request to the Governments the nature of the information to be collected.

The Committee will, at its next session, decide whether or not it seems advisable to include in the agenda of the Fourth General Conference on Communications and Transit, with a view to general discussion, the consideration of the problems concerning the transport of agricultural products raised by the Geneva Conference held in February and March, 1930.

##### 2. *Questions of Rationalisation in the Sphere of Transport.*

The Committee instructs the Secretariat to submit to it at an early session a report showing what rationalisation questions have already been dealt with by the Communications and Transit Organisation and also what other rationalisation questions might arise.

##### 3. *Extension of International Agreements relating to Transport.*

The Advisory and Technical Committee decides to refer to the Permanent Committee for Inland Navigation the request of the Preliminary Conference with a View to Concerted Economic Action that consideration should be given to the possibility of framing an international agreement on inland navigation on national waterways, based on the principles enumerated in the Additional Protocol to the Barcelona Convention of 1921.

The Committee decides to refer to the Permanent Committee for Transport by Rail the request of the said Conference that the railway administrations of the various countries should be asked by their Governments to consider the possibility of adopting identical principles as regards freedom of communications as the basis of their international agreements relating to transport.



#### 4. *Adjustment of Railway Tariffs.*

The Committee having examined the following request put forward by the Preliminary Conference with a View to Concerted Economic Action :

“ The Conference, considering that certain transport tariffs on imported goods and certain internal tariffs which discriminate against foreign goods may constitute a form of indirect protection, and considering, moreover, that certain special export tariffs may be regarded as equivalent to indirect export bounties, recommends that these questions be considered by the Communications and Transit Organisation jointly with the Economic Organisation of the League ”,

decides to adjourn the examination of this question to its next session. It requests the Secretariat to present to it a preliminary report for that session. This report should contain more particularly full information as to the procedure followed by the League of Nations Economic Committee for the examination of questions relating to indirect protection and the progress of the Economic Organisation's work in the matter.

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### III. REPORT ON THE WORK OF THE HEALTH ORGANISATION IN RESPECT OF EUROPEAN HEALTH QUESTIONS.

1. The following is a list of the European health questions with which the Health Organisation of the League has dealt or will deal in the immediate future :

(a) (1) Work of the Epidemic Commission in Europe ;

(2) The Sanitary Conference held at Warsaw in 1922.

(b) Service of Epidemiological Intelligence ; collection and distribution, by the most rapid means, of information concerning the epidemic movement of influenza in Europe in 1926 and 1927.

(c) The European Conference on Rural Hygiene, to be held at Geneva in April 1931.

(d) Comparative studies on European health problems undertaken at the request of various health administrations in Europe : cancer, infant mortality, preventive aspects of health insurance, malaria ; courses in malariology.

(e) The Health Organisation's system of liaison as it affects the Health administrations of European States :

(1) General and specialised collective study tours (interchanges).

(2) Individual study tours (missions).

(f) Education in hygiene : Conference of Directors of European Schools of Hygiene, held at Dresden in July, 1930.

2. A technical international health organisation must be in a position to furnish information and advice when asked to do so by the health administrations of various countries. That requests of this character have been addressed to the Health Organisation of the League with increasing frequency is shown by the pages which follow. The basis for the accumulation of information and advice of the kind required to satisfy such request is the experience which such an organisation has acquired by means of its collective studies and investigations, which must be undertaken in areas where health work has been carried on longest and in the most concentrated form.

Under these conditions, it is only natural that much of the Health Organisation's work should have a special bearing on European health problems, for it was in Europe and North America that modern principles of hygiene and preventive medicine were first applied.

Moreover, when the League's Health Organisation was in process of establishment, post-war conditions exerted such an influence on public health in Europe that health problems became one of the first concerns of many European Governments, and it was necessary to apply remedial measures before real progress in reconstruction could be assured.

A number of these health administrations requested the League for assistance in solving such problems, and the Health Organisation was enabled, as a result of the studies undertaken, to gain an experience and to collect information, which was afterwards available for the health administrations of non-European States.

The enquiry into infant mortality in selected districts of seven European countries, for example, was followed quickly by requests from the health administrations of four countries in Latin-America,<sup>1</sup> that the Health Organisation should organise similar enquiries within their borders, and the conduct of these enquiries was guided by the experience acquired in the European districts.

The majority of the collective study tours (interchanges) organised by the Health Organisation have been held in European countries, because of the rich material and ripe experience which they possess.

Nevertheless, a large number of medical officers from other countries have participated in these interchanges, and thus have secured for themselves and for their health administrations the benefits of the experience acquired by the longer established European public health services.

The real international importance of the other European enquiries and studies mentioned above is just as evident as in the case of infant mortality and interchanges.

#### (a) (1) WORK OF THE EPIDEMIC COMMISSION IN EUROPE.

In view of the post-war health problems, an international health conference which met in London in April 1920 to advise the Council of the League concerning the application of Articles 23 (f) and 25 of the Covenant, recommended the appointment of an Epidemic Commission, pending the creation of a permanent international health organisation, to co-operate with the health administrations of Eastern Europe in their campaign against typhus fever and other epidemic diseases.

The Epidemic Commission, which the Council created in May 1920, acted through the health administrations of the countries concerned by co-ordinating their efforts, organising a system of epidemiological intelligence in the area, collecting and distributing the necessary medical supplies, and making epidemiological studies, especially in Poland and Russia, where the situation was most serious.

A good example of the work accomplished by the Epidemic Commission is the assistance it was called upon to give in Greece, where serious epidemics of smallpox, cholera and enteric fever broke out among the refugees who poured in from Asia Minor as a result of the war with Turkey. The Epidemic Commission assisted the Greek Government to organise a vaccination campaign, which was successful in protecting some 550,000 refugees by this means against the three prevalent diseases.

In Eastern Europe the work undertaken by the Epidemic Commission, in co-operation with the countries concerned, may be summarised as follows:

- (a) The organisation of quarantine stations.
- (b) The equipment of hospitals.
- (c) The application of measures for disinfecting and cleansing.
- (d) The collection and distribution of supplies of food, clothing, soap, motor transport and other like necessities.
- (e) The collection and distribution of recent and accurate information concerning the epidemic situation.
- (f) The organisation of the campaign by means of the application of preventive measures in the epidemic centres.

The Epidemic Commission was afterwards absorbed by the Permanent International Health Organisation.

#### (a) (2) THE EUROPEAN SANITARY CONFERENCE HELD AT WARSAW IN 1922.

In the meantime, as a result of famine, as well as post-war repatriation involving large movements of population, the epidemic situation in Eastern Europe as regards cholera, typhus and relapsing fever became very grave in the winter of 1921-22, threatening to break down the sanitary defences in the eastern provinces of Poland, and to overwhelm other European countries.

The Secretariat of the League of Nations consequently circulated a report on the situation to all States Members of the League.

On the receipt of this report, the Polish Government applied to the Council of the League, requesting the immediate convocation of a technical European Conference to consider the situation, and to recommend measures to be taken to prevent the further spread of these epidemics.

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<sup>1</sup> Argentine, Brazil, Chile, Uruguay.

With two exceptions, all European Governments were represented at the Conference by technical experts, and technical recommendations were adopted as well as definite proposals as to procedure. These were presented to the Genoa Economic Conference, in view of the opinion expressed at Warsaw that no scheme of economic reconstruction of Europe was possible until effective measures had been taken against epidemics.

The Genoa Conference decided that :

“ The Conference approves the principles of the anti-epidemic campaign and of European sanitary defence adopted by the Warsaw Conference, and recommends the European Governments here represented to consider immediately the practical application of these principles and for this purpose to appeal to their respective Parliaments to provide the necessary means. ”

The Warsaw Conference expressed the wish that the execution of its recommendations should be entrusted to the Health Organisation of the League of Nations.

The results of the Conference were to carry the anti-epidemic campaign into the centres of infection (the Ukraine, etc.), to promote the conclusion of bilateral sanitary agreements between the affected countries, to foster the free interchange of recent epidemiological information, and to co-ordinate the work of the health administrations most directly affected.

(b) INFORMATION CONCERNING THE EPIDEMIC MOVEMENT OF INFLUENZA  
IN EUROPE IN 1926 AND 1927.

The Health Organisation's work in this field is an example of the assistance it may be called upon to give in respect of purely European health problems.

The Health Organisation's Service of Epidemiological Intelligence is engaged at Geneva and Singapore in collecting and distributing information respecting the most serious epidemic diseases by the most rapid means. Cables are received weekly at the Singapore Bureau from the health administrations controlling more than 140 of the most important ports, describing the actual epidemic situation in those ports. This information is distributed weekly by a dozen wireless stations to health officers and ships at sea.

A weekly printed bulletin containing more detailed information, is also distributed by the Singapore Bureau.

In Geneva daily, weekly, monthly and annual bulletins are published, containing all available information concerning the movement of epidemic diseases in the various countries, and these are supplemented by the weekly despatch of a wireless message from Nauen (Germany) and the use of the cable in case of need.

The information received from European health administrations in December 1926 having revealed that influenza had reached epidemic proportions in France and Switzerland, and that it was more prevalent than usual in several other European States, telegrams were addressed to all European health administrations requesting them to keep the Health Organisation informed concerning the progress of the disease, in order that authentic information might be supplied to health officers whose duty it was to keep the public informed concerning the real situation and to organise measures of relief and prevention.

The epidemic persisted until the middle of February 1927, and the European health administrations continued to keep the Health Organisation informed of its progress by means of daily telegrams. This information was distributed to the various countries for the first time by wireless messages prepared by the Health Organisation. In addition, telegrams were sent to the administrations whose territory was menaced by the progressive movement of the epidemic, and daily multigraphed bulletins were issued.

As a result of this rapid information service, various administrations found it possible to organise medical relief and preventive measures well in advance of the epidemic.

Seven health administrations telegraphed asking that the wireless information service be continued, and information was transmitted to North America and other continents.

A less serious epidemic of influenza occurred in Europe at the beginning of 1929, which occasioned the resumption of the Health Organisation's attempt to collect and distribute by the most rapid means all available information concerning its prevalence.

(c) THE EUROPEAN CONFERENCE ON RURAL HYGIENE TO BE HELD AT GENEVA IN APRIL 1931.

Another example of the Health Organisation's work in respect of purely European health problems is the proposal of the Spanish Government that the League should convene at Geneva a conference of representatives of European States for the purpose of a technical international study of rural hygiene, considered as one of the most important factors in the organisation of agricultural areas in Europe.

The Council of the League approved the proposal, decided to convene the Conference in April 1931, and referred the matter to the Health Committee for technical study and report.

In presenting the proposal to the Council, the representative of the Irish Free State (Rapporteur on health questions) called attention to the important role played by general sanitation and hygiene in any campaign intended to raise the standard of living in rural areas, and to the fact that there are very few countries in Europe to-day in which the measures for preserving the health and promoting the welfare of the rural population are up to the standard obtaining in urban areas.

He described the work in this field of the Health Organisation, which has sought to assist Governments faced with problems of rural hygiene, by means of individual and collective studies, resulting in a valuable collection of information and an interchange of experience, so that the methods adopted and the results achieved by the countries most advanced in this respect have been placed at the disposal of all. Its enquiries into the causes of infant mortality in seven European and four Latin-American countries included studies of this subject in rural areas of each country. The plan for the sanitary reorganisation of Greece, in which the Health Organisation has collaborated with the Greek Government, is based on the most modern methods of organisation in rural districts, and its publications contain much valuable information on the organisation of rural hygiene in the countries most highly developed in this respect.

The Health Committee recommended that the following should be the agenda :

- (a) Guiding principles and appropriate methods for ensuring effective medical assistance in rural districts ;
- (b) The most effective methods of organising the health services in rural districts ;
- (c) The sanitation of rural districts ; the most effective and economical methods.

It was also recommended that the European Governments should be invited to send as delegates experts in sanitary engineering, rural administration, social insurance and agriculture as well as in hygiene.

In view of the forthcoming Conference, the Health Organisation convened, in November 1930, a group of experts on rural health centres.

The Preparatory Committee set up by the Council will meet in December to consider the material to be placed at the disposal of the Conference.

A representative of the International Institute of Agriculture has been invited to participate in the work of the Preparatory Committee. Invitations have been issued to the Governments of non-European States which have a special interest in rural problems to send observers to the Conference to hear the discussions.

The documentary material being prepared for the Conference will consist of an analysis of existing practice in respect of the three items on the agenda, with an indication of the methods which have yielded the most fruitful results, particularly in those rural areas in which important reconstruction work of this character has been carried on during the last ten years.

(d) COMPARATIVE STUDIES ON EUROPEAN HEALTH PROBLEMS UNDERTAKEN AT THE REQUEST OF VARIOUS HEALTH ADMINISTRATIONS IN EUROPE.

1. *Cancer.*

During a Health Committee session held in May 1923, the British member proposed that the investigations which had been begun in Great Britain on the comparative mortality from cancer in different countries should be carried out internationally, to determine the causes of the considerable differences in the statistics of Great Britain, Italy and the Netherlands, as regards the mortality rates of two special forms of cancer.

A Cancer Commission was set up and medical experts were co-opted to undertake the statistical and clinical enquiries which were planned to elucidate the problem.

The object of the statistical enquiry was to determine whether the observed differences in the mortality rates of the three countries were real, while one of the objects of the clinical enquiry was to ascertain whether the apparent differences in the mortality rates might be due to more frequent resort to surgery in one or other of them.

The statistical enquiry indicated the genuineness of the differences in mortality rates, but failed to reveal an explanation of these differences ; while the clinical inquiry revealed that early resort to surgery was deplorably lacking in all three countries.

The Cancer Commission also undertook, jointly with experts appointed by the International Labour Office, an enquiry into occupational cancer, to determine whether cancer occurred in some occupations in some countries and not in the same occupations in other countries, and whether new forms of occupational cancer were occurring. Valuable information was secured concerning cancer of the lungs among miners working to extract pitch-blende from which radium is derived.

The findings of the Commission concerning the pressing necessity for the early treatment of cancer, and the increase in the use of light therapy for this purpose, led to a study of the *radiological* treatment of cancer.

Only a few clinics had used this method for a sufficiently long period to be able to appraise the results and the value of the different methods of application. Consequently, the Commission published an account of the technique, methods and results of the three most important European clinics (Munich, Paris, Stockholm), so that the special information and experience concentrated at these three clinics would be made available to medical authorities in all countries.

## 2. *Infant Mortality.*

During the Sixth Assembly, the delegation of the Netherlands proposed that the Health Organisation should undertake an international study of the cause of infant mortality in view of the importance of this subject for all countries. This proposal was referred to the Health Committee, which decided to invite a group of health experts in infant welfare to draw up a scheme for the enquiry.

These experts proposed that an enquiry into the causes of infant deaths and still-births should be carried on in seven European countries,<sup>1</sup> to elucidate the causes of deaths among infants under one year of age dying in the selected districts during that period of time.

The enquiry, which was completed in 1928, was carried on in twenty-nine urban and rural European districts and the deaths of 7,503 infants were investigated.

From the mass of data collected and analysed, the experts reached a series of important conclusions concerning measures of prevention, and drew up a number of recommendations in respect of the social and legislative measures which should be applied to prevent death during infancy.

The experts also adopted a number of general recommendations in regard to popular health instruction, special training in midwifery required by physicians and midwives, and the supervision of infancy by means of public health nurses.

The health administrations of four Latin-American countries<sup>2</sup> requested the Health Organisation to organise similar enquiries within their borders, and these enquiries were completed in 1930.

In Europe, five health administrations<sup>3</sup> have asked the Health Organisation for its assistance in conducting such enquiries, and the experts from these countries who will be entrusted with the work have been given by the Health Organisation an opportunity to study the conduct of the enquiries in one or more of the countries in which the original investigations were made.

## 3. *Preventive Aspects of Health Insurance.*

In 1926, the delegation of Czechoslovakia to the Seventh Assembly proposed that, in the interests of the economic, practical and efficient organisation of the public health services, including national health insurance, the Health Organisation should undertake a comparative study of these aspects of health administration in various countries.

As the principle of health insurance was first applied in Europe, and as organised systems of health insurance were until quite recently restricted to Continental Europe and Great Britain, it is natural that the studies organised by the Health Organisation jointly with the International Labour Office should be limited for the time being to this area. Nevertheless, in view of these studies, an extra-European Government (Uruguay) has already asked for the assistance of the Health Organisation in this field, and a number of medical officers from other continents have been provided by the Health Organisation with opportunities to study European experience.

Two commissions of experts have been appointed by the Health Organisation and the International Labour Office. The first has set up a number of small sub-commissions to study the subject in respect of maternal and infant welfare, pre-school and school hygiene, protection of the adolescent, tuberculosis, venereal diseases and popular health education. These sub-commissions are carrying on studies of these subjects in limited areas of countries having different forms of health insurance.

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<sup>1</sup> Austria, France, Germany, Great Britain, Italy, the Netherlands and Norway.

<sup>2</sup> Argentine, Brazil, Chile and Uruguay.

<sup>3</sup> Czechoslovakia, Denmark, Roumania, Spain and Yugoslavia.

The second has studied the methods of co-operation established between health insurance organisations and health agencies generally in the field of prevention. In the course of a study tour in Austria and Germany in 1928, this commission prepared a report emphasising the necessity for such co-operation, describing the methods which have been adopted to ensure it in these two countries, and drawing attention to the general principles involved.

The authorities of Czechoslovakia have followed closely the work of these commissions and have attempted to co-ordinate the action of their own public and private health agencies and health insurance organisations by means of a national committee, which has prepared a report on the methods of securing co-operation between these agencies, in respect of infant and maternal welfare and tuberculosis.

#### 4. *Malaria.*

The Health Organisation's Malaria Commission has sought to abstract from the experience of the several countries those principles and methods which might serve to guide a health administration called upon to engage in the anti-malaria campaign. The results of its field studies have been published and made available to all malariologists. In addition, the Commission has undertaken to co-ordinate national research into important aspects of malaria—epidemiology, prevention, treatment, etc.—and has organised studies of preparations (cinchonine, quinetum, the total alkaloids of cinchona) which might serve to supplement the insufficient supply of quinine and be made available for the treatment of the sick at a lower cost.

The problem of malaria, less acute now than soon after the war, was aggravated by the movements of population consequent upon the war, repatriation and famine, these movements resulting in the extension of severe forms of malaria to areas hitherto immune. Moreover, the establishment of new Governments which lacked personnel trained in malariology necessitated the organisation of special courses (described hereafter) and the utilisation of the experience of the older countries for the purposes of field training.

Under these circumstances, it was but natural that certain European health administrations should ask the Health Organisation for assistance in this technical field. In 1923, the Albanian Government asked the Health Organisation for its assistance in preparing a plan for an extensive campaign against malaria. An expert was sent to Albania in 1923 and 1924. His recommendations were intended to serve as a basis for the organisation of the public health service in the whole country.

The health administration of the Kingdom of Yugoslavia invited the Malaria Commission to delegate one of its members for the purpose of reporting on the value of the anti-malarial measures applied in Southern Serbia and Macedonia. This study was undertaken in the summer of 1925.

In 1924, the French Government invited the Health Organisation to appoint experts for the study of malaria conditions in the Island of Corsica.

Two of the French members of the Malaria Commission were appointed to make this study. Their report, containing detailed recommendations, after consideration by the Malaria Commission, was presented to the French Government.

Research into important problems of malaria is being carried on in behalf of the Malaria Commission in Germany, Great Britain, Italy, the Netherlands, France, Spain and Yugoslavia.

*Courses in Malariology held in Hamburg, London, Paris and Rome under the Auspices of the Health Organisation.*—Certain public health administrations, although determined to wage a systematic campaign against malaria, are handicapped by the lack of personnel specialised in the epidemiology and prevention of the disease, which, more than any other, requires special training and experience.

Facilities for providing such training are available in several European countries, notably in France, Germany, Great Britain and Italy, where special schools or institutes concerned with tropical diseases are in existence. Moreover, modern preventive measures are being applied in malarious districts of several European countries, especially Italy, Spain and Yugoslavia, and these form suitable centres for the practical training of public health officers in the control of malaria.

In view of this situation, the Malaria Commission recommended, in 1925, that intensive courses and practical studies in malariology should be arranged at these centres.

The Health Committee approved this recommendation and the courses were started in 1926.

The theoretical and laboratory courses, lasting about one month, were held at the Institute for Tropical Diseases, Hamburg, the London School of Hygiene and Tropical Medicine, and the Institute of Parasitology, Faculty of Medicine, University of Paris. By means of these three courses, the students were assigned to the school for which their knowledge of languages best fitted them.



The practical work in the field, lasting at least two months, was carried out in malarious districts of Corsica, Italy, Spain and Yugoslavia.

The Health Organisation made grants to certain medical officers, nominated by their health administrations, to permit them to follow these courses.

A number of students attended the courses at the expense of their administrations, others were granted scholarships by the Rockefeller Foundation and a few attended at their own expense.

The organisation of these courses evidently filled a long-felt need, and as the demands for this intensive training continued, courses have been organised during every successive year.

Forty-nine physicians from twenty countries attended during the first year, 63 in 1927, 107 in 1928.

In 1929, a similar course was organised at Rome, where a special course in malaria control for civil engineers and agricultural experts was also given.

While a large proportion of the students trained in these courses are medical officers belonging to the staff of European health administrations, a number also came from non-European States, so that European experience and information in the control of malaria was made available to these States through the instrumentality of the League's Health Organisation.

(e) THE HEALTH ORGANISATION'S SYSTEM OF LIAISON AS IT AFFECTS THE HEALTH ADMINISTRATIONS OF EUROPEAN STATES.

In 1923, the Health Organisation organised a system of interchanges and individual missions to promote liaison between the various health administrations, and to establish closer contact between these administrations and the League in the field of international hygiene.

The technical purpose of these interchanges and individual missions is to enable the health authorities of the various countries to profit by the experience of their colleagues. In the case of individual missions, the aim is to provide opportunities for training abroad medical officers entrusted with special responsibilities, such as the control of tuberculosis, maternal and infant welfare, etc.

It is a natural result of the considerations set out at the beginning of this report that a majority of these interchanges should have been held in European countries. The same applies to individual missions.

Since the beginning of 1923, nearly 600 medical and health officers have participated in these interchanges or profited from individual missions.

Interchanges for the general study of public health work, or for the study of special subjects (tuberculosis, malaria, rural hygiene) have taken place in most of the important countries of Europe,<sup>1</sup> while medical officers entrusted with individual missions have studied in nearly every European country.

Two interchanges of special interest to Europe were those for (1) port health officers in the Mediterranean, and (2) for such officers in Baltic and North Sea ports.

International courses in hygiene were organised under the auspices of the Health Organisation in London and Paris, the first in co-operation with the English Ministry of Health, the second at the Institute of Hygiene, University of Paris.

The offer of the French Government to the Council in October 1930, to organise an International School of Hygiene and to place it under the auspices of the League, will greatly facilitate the operation of the Health Organisation's system of liaison and will serve to enhance the value of this service to the various health administrations.

(f) EDUCATION IN HYGIENE.

*Conference of Directors of European Schools of Hygiene, held at Dresden in July 1930.*

The new schools of hygiene in Europe and America are the instruments best adapted to introduce the newer conception of public health work. Consequently, the Health Organisation has been in close touch with these schools from the beginning, by the convocation of periodical conferences of the directors of these schools. The first such Conference was held at Warsaw in 1926 on the occasion of the inauguration of the State School of Hygiene; the second was held in 1927 at Budapest and Zagreb; and a third was held this year in Paris. The object of these conferences was to make a comparison of the

<sup>1</sup> Austria, Belgium, Bulgaria, Czechoslovakia, Danzig, Denmark, France, Germany, Great Britain, Hungary, Italy, the Netherlands, Poland, Roumania, Spain, Switzerland, Yugoslavia.

results obtained by the various schools of hygiene, as these institutions represent a new type of health work in which frequent exchanges of experience and information are essential.

The faculty of one or more non-European schools of hygiene was represented at the conferences mentioned above, but a conference was held at Dresden in July 1930, which included in its membership only directors and other representatives of European schools.

The Dresden Conference was concerned with the special work of the schools of hygiene in training the future medical officers of health, the auxiliary sanitary personnel and general public, as well as with the instruction required by the medical student in social and preventive medicine, and the continuation courses or supplementary training in these subjects required by the health officer and his subordinate staff to keep them abreast of modern progress in hygiene.

A series of resolutions was adopted concerning the principal task of schools of hygiene — the training of the future medical officer of health. These resolutions emphasised the value and described the nature of the research work to be carried on, set out the minimum training requirements and contained a number of recommendations concerning the administration of these schools.

The resolutions concerning the training in hygiene of medical students defined the subjects in which instruction was required, described the best methods of providing such training and recommended that practical as well as theoretical courses should be given.

The recommendations relating to continuation courses deal with the character of the instruction required for the general practitioner, the medical officer of health, the communal health officer and the subordinate public health staff.

In October 1930, the Commission on Education in Hygiene considered the programme of the new school at Madrid, and noted that this programme has been established along the lines recommended by the Conferences held at Paris and Dresden.

A further conference of directors of schools of hygiene will be held at Madrid in May 1931, on the occasion of the official opening of the new Spanish school.

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Annex 2.

C.39. M.19. 1931. VII.  
[C.E.U.E. 6.]

MEMORANDUM FROM THE DIRECTOR OF THE INTERNATIONAL  
LABOUR OFFICE ON CERTAIN QUESTIONS, DEALT WITH BY THAT  
OFFICE, OF SPECIAL INTEREST TO EUROPEAN STATES.

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The world of Labour, of which the International Labour Office has assumed the protection, cannot remain indifferent to any project for a European Union; nor can any such project be undertaken or come to fruition without its co-operation. Any action with a view to the development and, so to say, the rationalisation of economic co-operation between the European nations cannot fail to increase the producing capacity of Europe, and the workers stand to benefit by such increase in more ways than one. It is an established fact that the workers' purchasing power — that is to say, their real wages — everywhere increase when the general progress of production augments the reserves at the disposal of the community. Any progress due to greater freedom or better regulation in the circulation of goods, or to the multiplication or expansion of markets, stabilisation of commercial conditions, better distribution of production to conform with national resources, increase of industrial output or improvement of agricultural methods is bound to be reflected in a rise in the standards of living of the workers both in the cities and on the land.

Moreover, the accumulation of new wealth in the Old World will facilitate the solution of a number of social problems. It is the financial difficulties of the States and industries which at present threaten to arrest, or at any rate retard, the progress of certain social reforms. The growth of capital assets as a result of more rational exploitation of European resources will smooth the path of new social reforms, and these in their turn by increasing the power of production and consuming capacity of the masses will help to give a fresh impetus to economic activity in Europe.

It is unquestionable, therefore, that, in this as in so many other cases, any economic advance implies social progress to which the International Labour Organisation cannot remain indifferent.

The list of questions already under study by the International Labour Organisation with a view to fostering their solution includes some which are of an essentially European character. It is no doubt impossible to maintain that any question, strictly speaking, is the exclusive concern of Europe. The principle of the International Labour Organisation, as of the League of Nations, is universality, and there is probably no single labour question which affects only this or that continent. But there are nevertheless questions which are principally the concern of Europe, and this memorandum enumerates the questions of such a character with which the International Labour Organisation has already had to deal.

If there is an industry which calls for the regulation of labour on lines, if not peculiar to Europe, at any rate applicable at the earliest possible date to that continent, it is the coal-mining industry. The effects of the coal crisis were first felt in Europe, and the need for economic understanding is most clamant in the case of the European producers of coal. But economic understanding is only possible in conjunction with an understanding in regard to the conditions of labour. It was in this connection that the question was brought before the International Labour Organisation by the Assembly of the League of Nations in September 1929. It came before our Governing Body, which decided to call a Preparatory Technical Conference to study the conditions of labour in coal-mines with a view to deciding in what cases international regulation was possible. The Conference was to include representatives of the Governments and of the employers and workers in the principal coal-producing countries of Europe. It met in January 1930, and surveyed the whole of the ground which its investigations were to cover, and laid down the initial outlines of an agreement on the hours of labour in the mines. The International Labour Conference itself took in hand the final drafting and execution of this agreement at its session of June 1930. Although its labours were not completed on this occasion, it is to take up the question again at its session in June 1931; and there is every reason to hope that this time it will be able to draft a convention which, though doubtless applicable to coal-mines in all countries of the world, will nevertheless, in the first instance, be applied to the coal-mines of Europe.

Another question which is no doubt of world interest but which calls primarily for solution in Europe is that of the conditions of labour on the shipping of great rivers. An international convention on this question is required primarily for Europe, since it is in Europe that great international river flow, requiring regulation of the conditions of labour on both sides of the frontiers which they traverse. The International Labour Organisation approached the problem in this spirit in conjunction with the International Organisation for Communications and Transit of the League of Nations. A Committee of Experts appointed by our Governing Body met to decide what labour questions in connection with the shipping of the great international rivers were susceptible of international regulation. The Committee considered two questions — the hours of labour and the question of social insurance. It asked the International Labour Office to prepare two comprehensive reports on these two questions; and these two reports will be submitted to the Committee in the course of this year, either together or one after the other. The Committee will then decide whether a proposal should be made to our Governing Body to place one or other or both of these questions on the agenda of a future session of the International Labour Conference.

The International Transport Federation some years ago brought before the International Labour Office the question of the prevention of accidents in connection with the coupling of railway-wagons and the desirability of considering whether the customary methods of coupling should not be replaced on the great European railway systems by the methods of automatic coupling already in use in North America and Japan. This question, again, though of universal interest, has its particular application to Europe. The International Labour Office has set up a temporary Commission to study the question, composed of representatives of the Governments, of the big railway systems operated by private enterprise, and of the workers on the railways. This Commission has got into touch with the International Railway Union in order to have the latter's opinion on the technical, economic and financial aspects of the question. The first information of this character is to be communicated to it before its next meeting, which will probably take place in the first few weeks of 1931.

The above are three special questions affecting three particular industries, but interesting a very large number of workers, and which have been for a considerable time under consideration by the International Labour Organisation and are of special interest for Europe, although not exclusively European in character. Reference may now be made to three other questions which, being of even wider range, do not affect special labour groupings to the same extent, but which are nevertheless of primary interest to the European continent.

In the first place, there is the question of the movements of labour from one country to another. If this highly delicate and serious problem appears at the moment capable of solution, it is in Europe that the solution must come; for, in the case of movements from one continent to another, and in particular from Europe to America, the solution appears, unfortunately, very much more remote. The ideal is undoubtedly the free circulation of individuals from one country to another and their free establishment at any point on European territory. Europe will never be a real Union, or even an economic Union, until this freedom of circulation and establishment has been realised, at any rate on European territory. But, if the establishment of this freedom is to be possible and not economically injurious to any European country, it must not be left to the chance impulses or interests of

individuals or even of nations. It must be regulated, and, indeed, systematically organised. A beginning is being made in this direction by way of bilateral agreements, the number of which is increasing, between the majority of European States. The question is already being studied by the Emigration Commission set up by the Governing Body of the International Labour Office. It will no doubt shortly be placed on the agenda of the International Labour Conference, and it is our firm hope that it will lead to a general Convention determining the guiding lines to be followed in the bilateral agreements which the States will be free to conclude with such other States as they may desire. Such a Convention would be, no doubt, of general applicability; but it is probable that, in practice, it will be limited in the first instance to European countries. It is possible even to conceive of two conventions, one for movements of labour within the Continent and the other for movements of labour outside Europe.

The organisation of the emigration of the European masses inside Europe is thus already under consideration by the International Labour Organisation. It goes without saying that anything which concerns the protection of emigrants, whether in the country from which they come or in that to which they go, or in transit from one to the other, has also been the subject for a long time past of the studies and resolutions of the International Labour Organisation.

There are, however, certain elements of this general problem of protection which are the special concern of the European countries. A single example may be given. The question of compensation for accidents to wage-earners of foreign nationality in connection with their work, and for accidents occurring on the territory of any European country, is governed by an International Labour Convention passed in 1925 by our Conference on the basis of equal treatment for foreigners and nationals. Of the twenty-six States which have ratified this Convention up to the present, twenty-two are European States. It may be said that virtually all the European countries are bound by this general Convention. But how much more definite and how much more satisfactory it would be, both for the States and for the victims of accidents, if there were an executory convention which, while conforming with the provisions of the general Convention, at the same time adjusted the principle of equal treatment to the requirements and possibilities of the various European countries. The general Convention itself, however, tends towards a solution on these lines, since it leaves questions of application to be settled by special agreements between the contracting parties themselves. In this matter, therefore, as in many others, the course to be followed by the European Union would seem to be to adapt general rules to the particular circumstances arising out of the closer solidarity existing among the European States. Moreover, the work which has been done or which is going forward in regard to compensation for occupational accidents may, in the near future, be continued with reference to the retention of the right acquired, or in process of acquisition, to a pension on account of invalidity, old age or death, by wage-earners who have worked in several countries and been insured under various national insurance schemes.

The evil of unemployment, which at present is so grievous and so widespread, is prevalent throughout the world. Some of its aspects, however, are specifically European. Many of its causes are economic. It has long been recognised that, for example, frequent modifications of Customs tariffs bring about sudden changes in markets and in the output of numerous industries which exist in all European countries. A European Union, even if its first effects were merely to stabilise existing tariffs as between European States, would tend to regularise trade between those countries and would thereby eliminate certain causes of uncertainty as regards output and the employment of labour. If a further step were taken by the reduction or even complete abolition of tariffs between European countries and the establishment of a European Customs Union, the industrial undertakings of that continent would obviously find fresh factors making for stability, not only in the vast home market which would thus be opened up to them, but also in the possibilities of reaching agreement among themselves for the better adaptation of their output to European needs, and, further, of reaching agreements with the undertakings of other continents with a view to eliminating ruinous competition.

Such a rationalisation of European economy would of course — for a time at all events — mean the extinction of certain "artificial" industries which have grown up in some countries behind the shelter of Customs barriers and could not survive a system of complete free trade. Such effects would, for the first years at all events, necessarily prove prejudicial to the employment of many workers. They would call for a number of measures of compensation and adaptation for the protection of the working classes; these would be labour questions peculiar to Europe. That point has, of course, not yet been reached; for the moment, the matter is only being studied. The League of Nations Assembly made a request to that effect to the International Labour Office at its session in September 1930. In response, the Governing Body of the International Labour Office asked the Office to submit to its Unemployment Committee as soon as possible a number of preliminary reports. The Committee will meet on January 26th and 27th, 1931; it will receive from the Labour Office seven preliminary reports on the principal aspects of the question.

Lastly, the big questions of international concern which are now under consideration by our world institutions include one which is of particularly vital interest to Europe — the agricultural crisis. Strictly speaking, of course, this is a world crisis. Nevertheless, it is peculiar to Europe too, since Europe is divided into over-industrialised countries,

countries which are almost wholly agricultural, and, in the intermediate position (though it cannot yet be said that they form an actual link), semi-industrial and semi-agricultural countries, such as France and, to a certain extent, Germany, Czechoslovakia, Switzerland and Italy. In Eastern and Central Europe there is an agricultural *blocc* which is suffering from the present depression and is looking for salvation to a European organisation. It is a complex question, and the International Labour Organisation must have a say in it, since it must know how far the present agricultural depression affects living conditions among agricultural labourers, tenant farmers and smallholders (who are to some extent workers), and also how far any solution of the problem would affect labour conditions. Accordingly, at the last meeting of the Joint Committee which it set up some years ago with the International Institute of Agriculture, the International Labour Office raised the question and consulted a meeting of experts as to the real nature of the present depression and its effects on living and labour conditions among agricultural populations. It will continue this work.

These are the questions at present being studied by the Labour Organisation which primarily affect the interests of the continent of Europe, though there are doubtless many others which the Organisation has not yet taken up.

Does this mean that we think it desirable, or for that matter possible, for a European Labour Organisation to be set up within the Labour Organisation itself to deal with these problems? That is another question, and we should like to conclude with a few words on the subject.

Under the Peace Treaties, the International Labour Organisation is the institution empowered to study and settle international questions relating to labour conditions. It was provided with a constitution and a system of procedure adapted to the nature of the problems with which it has to deal. While not going into details, we must mention the characteristic features of this constitution and procedure.

The most original feature of the constitution of the International Labour Organisation is that the representatives of the employers and of the workers take a direct share in its activities. The Governing Body of the International Labour Office is composed of twenty-four members, twelve of which represent Governments, six the employers and six the workers. The International Labour Conference comprises four delegates for each State, two of which represent the Government and two the employers and workers respectively. Through the balance established between these various elements, the organs of the International Labour Organisation provide a fair representation of the individual parties concerned, while at the same time giving preponderance to the Governments, which are qualified to defend the interests of each nation as a whole.

The characteristic feature of the International Labour Organisation's procedure is the essential part played by the legislative authorities of each Member State. It is these authorities which, in each country, are called upon to approve or reject the draft conventions adopted by the International Labour Conference and to sanction them by the international undertaking which is the outcome of ratification.

The machinery thus set up seems to be really well adapted to the purposes of the International Labour Organisation. The number of ratifications obtained after ten years' work proves at all events how successful the institution has been, despite the special difficulties inherent in labour problems. Hence it seems self-evident that labour questions particularly affecting European States could more usefully and appropriately be treated by the special machinery of the International Labour Organisation than through any diplomatic procedure that might be set up with a view to enabling the European Union to function.

And here we must meet an objection which immediately suggests itself. Since the International Labour Organisation is a worldwide body, does not its worldwide nature preclude any geographical limitation of the exercise of its functions? This point must be put more clearly. True, the International Labour Organisation is worldwide — that is, indeed, one of its essential features. Nevertheless, it is not necessarily unfitted on that account to deal with particular questions. Although the conventions adopted by the International Labour Conference are most often of a general character, it is by no means impossible to establish less universal rules. Already there are a number of international labour conventions which are special in nature by reason of their object itself — *e.g.*, the Convention on forced "native" labour and all the conventions on labour at sea. Besides this technical specialisation, if it may be so termed, a geographical specialisation is also conceivable. There is no reason why the Labour Conference should not adopt appropriate systems of procedure for this purpose.

As the work of the International Labour Organisation develops, the need becomes more and more evident for its action to be diversified by being adapted to the particular nature of the problems to be solved. Certain labour questions have been found to be of special concern to Europe, and it may therefore be desirable to provide for them a solution taking their continental character into account.

The International Labour Office will describe in greater detail, if necessary, the methods of procedure enabling such labour questions as may appear peculiarly European to be suitably studied and an appropriate solution to be found for them. It is essential, however, to emphasise here and now the necessity of utilising for this purpose the machinery set up by the treaties, which has worked successfully for ten years.



There can be no question of withdrawing from the International Labour Organisation the general powers it holds under the treaties, nor of setting these powers against those which the European Union will have to possess. The two powers must be co-ordinated. One of the first problems that arise in connection with the projected European Union consists, therefore, in preventing any rivalry between the two powers, which would be dangerous alike for international and for social peace, and to establish close co-ordination between the work of the International Labour Organisation and that of the European Union in the field of the protection of labour.

In this work, which it considers indispensable, the International Labour Office will always be prepared to afford its wholehearted co-operation.

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Annex 3.

C.10.M.7.1930.VII.  
[C.E.U.E.4.]

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

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Berlin, December 20th, 1930.

[Translation].

In reply to your Circular Letter 299.30.VII, of October 30th, 1930, and the communication C.E.U.E.1, of December 1st, 1930, I have the honour to acquaint you with the following on behalf of the German Government:

The German Government considers that the principal task of the January session of the Commission of Enquiry for European Union will consist in taking decisions in regard to the drawing up of a programme of work.

Further items for the agenda arise out of the resolutions of the Commission of Enquiry of September 23rd, 1930, such as the question of the extent and composition of the Bureau, the participation of States which are not Members of the League of Nations, and the Secretary-General's report.

The points on which the Secretary-General will have to report, in accordance with the resolutions of the Commission of Enquiry referred to, include, in particular, the Governmental Conference on economic questions which was held in Geneva in November 1930. The Assembly of the League referred to the connection of this Conference with the work of the Commission of Enquiry in a resolution of October 2nd, 1930 - 11. The German Government is therefore of opinion that the results of this Conference should come up for discussion.

The German Government reserves the right to make further proposals on particular questions at the meeting itself.

(Signed) CURTIUS.

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Annex 4.

C.706.M.298.1930.VII.  
[C.E.U.E.3.]

NOTE FROM THE BELGIAN GOVERNMENT  
TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

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Brussels, December 11th, 1930.

1. It is desirable to make a list of the questions which the League of Nations has already taken up and which, in view of their nature, might usefully be made the subject of special study from the European point of view.

Some of these questions are essentially European questions, and were raised as such from the outset. Others have been considered from a world point of view, but have a European aspect to which it would be desirable to give special consideration. If the study of these questions were limited to this Continental aspect, it would be possible to overcome the difficulties which have so far in several cases delayed their solution.

2. In this connection the Belgian Government desires to call attention to the question of the transmission and transit of electric power.



Recent technical advances in the field of electricity have led to a considerable development of the long-distance transmission of power. This has become a necessary condition for the economical utilisation of sources of electric power. For some years past the chief industrial countries which have common frontiers have been linked by high-tension lines, and the exchanges between them are increasing in importance.

These exchanges and the establishment of the systems in question are governed by national legislation, which in some cases have a restrictive effect. We must already look forward to the time when these exchanges can no longer be limited to two neighbouring countries, but when they will have to extend to the whole Continent, which will have to be covered by an immense network of power distribution. It is important that national legislations should not stand in the way of such a programme and that a definite statute should be established to enable it to be carried into effect.

The League of Nations has already touched upon the problem on the basis of Article 23 of the Covenant. The First General Conference on Communications and Transit, held at Barcelona in March 1921, recognised that it was desirable that States possessing an abundant supply of electrical power should concede a part of it to States in want thereof, and recommended that this question should be examined. At the Second Conference, held at Geneva in November and December 1923, two Conventions were drawn up — one relating to the development of hydraulic power, and the other to the transmission of electric power.

These Conventions were to apply to the whole world. Their provisions had little immediate practical importance. Only four or five European countries ratified them, and consequently their entry into force could not have any real effect.

The Belgian Government considers that, under present technical conditions, such a problem is essentially a Continental one; that its solution on the European plane would be of immediate practical value; and that, if continued on that plane, the work previously started by the League of Nations might lead to useful results.

3. In the same connection, the Belgian Government thinks it advisable to call the attention of the Commission of Enquiry for European Union to the draft Convention on the Treatment of Foreigners. The Conference which studied this question comprised the representatives of forty-seven countries. It was unable to reach an agreement at its first session. In its final Protocol the Conference directs attention to the expediency of establishing the proposed Convention on the most liberal bases. Following this recommendation, certain European Governments have entered into negotiations among themselves. The Belgian Government proposes to inform the Commission of the results of these negotiations as soon as they have led to the acceptance of fundamental principles representing a genuine advance on the present situation.

4. The essential object of the European Union of which it is proposed to lay the foundations is to establish a system of constant co-operation among the peoples of Europe. The European Union represents an attempt to strengthen the links uniting these peoples and to develop their mutual relations, but it implies primarily that every European country should refrain, as far as possible, from taking any steps that might injure other European countries.

It must, however, be recognised that action taken on grounds of national interest tends as a rule to be somewhat neglectful of the interests of other nations. This is particularly true in economic matters during a period of crisis. Faced by serious difficulties, the authorities in every country act in isolation by a kind of reflex instinct of self-preservation. Thinking only of the internal position, they consequently find themselves injuring the interests of their neighbours; and thus, arousing resentment and giving ground for reprisals on the part of those neighbours, they not merely fail to cure the trouble but very likely aggravate it.

In the field of tariff policy, the Commercial Convention concluded at Geneva on March 24th, 1930, laid down a principle which ought to be adhered to. If a contracting State decides to increase existing duties or to impose new duties, a procedure for notification and redress is established for the benefit of the other contracting States. The latter are thus enabled to uphold their own interests and to ask for any redrafting or adjustment that may be necessary.

This principle might usefully be extended to other subjects connected with the exchange of goods, the circulation of capital, the treatment of persons and the system of communications and transport.

There can, of course, be no question of encroaching upon the prerogatives of Governments or Parliaments. The example of the Commercial Convention shows, however, that it is possible, within those limits, to arrange for consultations and to allow for necessary adjustments to prevent measures taken in the national interest from injuring the interests of other countries and being regarded by them as vexatious.

The Belgian Government accordingly suggests that the Commission should consider to what subjects and in what manner the application of the principle defined above might properly be extended.

Annex 5.

C.36.M.18.1931.VII.  
[C.E.U.E.5.]

MEMORANDUM FROM THE DANISH GOVERNMENT.

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Copenhagen, January 3rd, 1931.

[*Translation.*]

With reference to Circular Letter 299.1930.VII, dated October 30th last, from the Secretary-General of the League of Nations concerning the Commission of Enquiry for European Union, the Danish Government has the honour to forward the following suggestions to the Secretary-General in the hope that they may be taken into consideration at the Commission's forthcoming meeting on January 16th :

The Commission will be divided into three Sub-Committees for the study of the following subjects :

1. The organisation of European co-operation ;
2. The principal questions of a general political character, which will have to be submitted to the League of Nations for decision in the near future and for the solution of which it may appear desirable to undertake separate negotiations in advance between the countries of Europe ;
3. The questions of an economic character which are at present on the League's agenda and the solution of which is hampered by difficulties arising chiefly among European countries.

The Sub-Committees will be constituted as follows : The four great Powers will be represented in each, and the other seats will be distributed among the other countries, each country being represented on at least one of the three Sub-Committees.

The Sub-Committees will be authorised to invite the European States not members of the League to take part in their discussions.

The Sub-Committees will submit their reports to the first meeting of the Commission of Enquiry for European Union, which will be held either in May, at the time of the Council session, or immediately before the Council session in September, at the time of the Assembly of the League of Nations.

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Annex 6.

LETTER FROM THE YUGOSLAV MINISTER FOR FOREIGN AFFAIRS  
TO THE SECRETARY-GENERAL OF THE LEAGUE.

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[*Translation.*]

Belgrade, December 18th, 1930.

I have the honour to acknowledge receipt of your Circular Letter 299.1930.VII, of October 30th, 1930, together with the documents relating to the organisation and work of the Commission of Enquiry for European Union, and I note the decision taken in regard to the forthcoming meeting of the Commission of Enquiry in January 1931 at the Secretariat of the League of Nations at Geneva.

You were good enough to suggest that I should communicate to you on behalf of the Yugoslav Government any information or suggestions I might think suitable for inclusion in the agenda of the next meeting of the Commission of Enquiry. For the moment, I have no proposals to make in regard to the agenda of the meeting, but I reserve the right to make such proposals at the meeting itself.

I would merely observe that, in the sphere of ideas and problems with which the Commission of Enquiry will have to deal, there is one circumstance which calls for our attention. I refer to recent activities of the League of Nations itself, which appear to indicate the direction that the efforts of the League might take in the work of establishing and organising the European Union within the League itself — apart from other activities of the European States which contribute directly to bringing them closer together. For example, the Conference for the Unification of River Law, held at Geneva under the auspices of the League from November 17th to December 9th last, which led to the conclusion of three Conventions, was attended only by European States. The same was the case with the Second International Conference with a View to Concerted Economic Action, which

was held at Geneva in November last, while the European Conference on Road Traffic is summoned for next spring. All these Conferences furnish proof of the possibility of organising a European Union within the League of Nations. They support the view that, if the various questions are taken up in succession, and with a proper appreciation of mutual interests and mutual concessions, the European Union may, in time, become a solid organisation making for peace.

(Signed) Dr. V. MARINKOVITCH,  
Minister for Foreign Affairs.

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Annex 7.

C.114.M.41.1931.VII.  
[C.E.U.E.12.] (Extract.)

RESOLUTIONS ADOPTED AT THE SECOND SESSION OF THE  
COMMISSION (JANUARY 16<sup>TH</sup> TO 21<sup>ST</sup>, 1931).

[Translation.]

I.

The Commission of Enquiry for European Union,  
Having regard to the resolution of the Assembly of the League of Nations of September 17th, 1930 :

Decides to study the world economic crisis, in so far as it affects the European countries as a whole, and to invite, through the Secretary-General, the Governments of Iceland, Turkey, and the Union of Soviet Socialist Republics to participate in this study.

II.

The Commission of Enquiry for European Union,  
Recognising the exceptional gravity of the crisis through which the agricultural countries of Central and Eastern Europe are passing, and the necessity of remedying this situation in Europe, without awaiting those more far-reaching solutions which it trusts will be devised and for which the Wheat Conference, to meet in Rome on March 26th, 1931, is to prepare :

Is of opinion that this situation could be greatly improved if the authorised representatives of the European countries affected (grain-exporting countries of Central and Eastern Europe and European importing countries) were to meet at an early date and make a common effort to find means of *disposing of the grain surplus at present available*. The meeting would be called on the sole initiative of the President of the Commission of Enquiry for European Union, and its conclusions would be put into effect without further reference to the Commission of Enquiry.

III.

The Commission of Enquiry is of opinion that there will still remain an important question for solution. The measures taken for the disposal of the 1930 harvest and those contemplated below for the establishment of agricultural credit leave the problem of the *export of future harvest surpluses unaffected* :

(a) The Wheat Conference, which is to meet at Rome in March 1931, will no doubt make suggestions of the utmost importance in regard to the world situation.

The Commission of Enquiry trusts that the overseas countries affected will consent to take part in this Conference, so that the problem may be examined in all its aspects.

(b) As regards Europe, it is necessary to set up a committee to study all measures capable of leading to the desired result, including tariff arrangements. This Committee will be composed of eleven members — namely, the representatives of Austria, Belgium, Czechoslovakia, Estonia, France, Germany, the British Empire, Italy, Norway, Switzerland and Yugoslavia. The Secretary-General of the League of Nations will be asked for the assistance of the Technical Committees, and the International Institute of Agriculture will also be asked to help. The committee will be summoned very shortly at the instance of the President of the Commission of Enquiry for European Union. It will work as rapidly as possible, and its conclusions will be submitted to the Commission of Enquiry for European Union.

IV.

With regard to *agricultural credit*, the Commission of Enquiry for European Union finds that the investigation of this question has been carried far enough for a detailed scheme to be drawn up.

The Financial Committee has made a very interesting report to the Commission of Enquiry, and the latter notes that the Financial Committee is to continue its investigation. It considers it highly desirable that a complete scheme of executory measures should be submitted to the Council of the League of Nations in May next in such detail that, if approved by the Council, it can be put into effect forthwith.

The Commission of Enquiry accordingly decides to appoint a committee of eleven members — namely, the representatives of Bulgaria, Denmark, France, Germany, the British Empire, Hungary, Italy, the Netherlands, Poland, Roumania and Sweden — which will, if necessary, hear the views of the representatives of the other countries concerned.

This Committee will watch the work of the Financial Committee and keep in touch with the matter in order that a detailed programme, both financial and legal, may be submitted to the Council of the League of Nations at its session in May next, so that it may deliberate with full knowledge of the facts and prescribe prompt executory measures should it so decide.

#### V.

The Commission of Enquiry for European Union,

Being strongly of opinion that the result of the putting into force of the *Commercial Convention* of March 24th, 1930, would be to create such an atmosphere of stability and confidence as would enable the execution of the programme of future negotiations also drawn up on March 24th, 1930, to be usefully prosecuted and extended ;

Counts upon its members to do all in their power to ensure that the said *Commercial Convention* is speedily put into force ;

And trusts that the bilateral negotiations opened in consequence of the Conference with a View to Concerted Economic Action of November 1930 may be actively pursued.

#### VI.

The Commission of Enquiry for European Union,

Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing ;

Requests the Secretariat of the League of Nations to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly.

#### VII.

A Committee is set up, consisting of the representatives of the British Empire, Denmark, Finland, France, Germany, Greece, Italy, Yugoslavia, Poland, Portugal, Spain and Switzerland.

This Committee will examine the constitution, organisation and procedure of the Commission of Enquiry. The other questions on the agenda of the Commission will also be submitted to this Committee.

#### VIII.

As the result of our discussions and conversations during the last few days concerning the problems which our Governments have respectively to face, it has become plain that economic recovery is now being hindered by lack of confidence in the course of future events due to widespread political anxiety. That anxiety has been increased by irresponsible talk in various quarters concerning the possibility of international war.

We recognise that there are political difficulties in Europe at the present time, and that these difficulties have been accentuated by the economic instability and unrest which the world economic depression has caused. The best service we can render towards the improvement of the economic position is the firm assurance of European peace. We therefore declare, as Foreign Ministers or responsible representatives of European States, that we are more than ever determined to use the machinery of the League to prevent any resort to violence.

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Geneva, March 31st, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**Organisation Sub-Committee**

**REPORT BY M. MOTTA**

on the

**CONSTITUTION, ORGANISATION AND PROCEDURE OF THE  
COMMISSION OF ENQUIRY FOR EUROPEAN UNION.**

At its meeting on January 21st, 1931, the Commission of Enquiry for European Union set up a sub-committee, consisting of the representatives of Denmark, Finland, France, Germany, British Empire, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia, to study the constitution, organisation and procedure of the Commission.

1. Before submitting to the Commission the outcome of the sub-committee's discussions, it may be well to recall in a few words the origin and character of the Commission.

It will be remembered that the Assembly expressed its conviction that close co-operation between the Governments of Europe in every field of international activity was of capital importance for the preservation of peace, and associated itself with the unanimous opinion of the representatives of the European Governments that such co-operation was necessary. It invited the Governments of the European States Members of the League of Nations to form themselves into a League Commission to pursue the enquiry. It was thus clearly specified that this Commission should be an organ of the League, but that it should be open to the Commission to pursue its enquiries in conjunction with non-European Members and with European non-member Governments. On this subject the President of the Assembly said: "I am sure that I am expressing the unanimous opinion of the Assembly in saying that those States Members of the League which are not represented on the Commission just set up should nevertheless be entitled to send observers to the Commission's meetings, so that they may submit their views should they think fit. I take it that the Assembly approves this proposal".

2. It may also be well to call attention to the fact that after the Commission's second session the Chairman was deputed to communicate to the Council the resolutions passed by the Commission, with a request that it take note of them and authorise the technical Organisations and the Secretary-General of the League to take the necessary action. The Council, at its meeting on January 23rd, 1931, acted accordingly.

From all this we obtain certain essential facts regarding the constitution and organisation of our Commission. First, as we have already seen, the Commission is a League Commission, and it is its duty, as such, to report to the Council and Assembly, which will decide what action is to be taken on its resolutions. Under these conditions, therefore, the Commission may secure the assistance of the technical organisations and advisory committees of the League.

Secondly, those States Members of the League which are not represented on the Commission are entitled to send observers to its meetings and submit their views should they think fit. These States share, moreover, in the general supervision exercised by the Council and the Assembly over all the Commission's proceedings.

3. Acting as a League Commission, the Commission of Enquiry is subject, generally, to the usual rules for such commissions, but it can, of course, make special rules of its own. For example, the Commission has already agreed that each Government may be represented by a delegate and, if it so desires, by a deputy delegate. Again, the Commission has already invited certain European

Governments not members of the League to take part in the study of the world economic crisis in so far as it affects the European countries as a whole. Further, it has set up *ad hoc* committees of its own members to deal with special questions. Naturally, it retains the right to set up other such committees in the future, on the understanding that, in each case, it will decide upon their composition, the subject with which they are to deal, and their duration. In each case, such committees should include representatives of the States specially interested in the questions under consideration.

For the better organisation of our proceedings, it would doubtless be well to ask any Member who may wish to place a question on the agenda of any session to inform the Secretary-General not less than one month before the opening of the session. With the Chairman's approval, the Secretary-General could then send out a provisional agenda to all Members three weeks before the beginning of the session. Every request to have a question placed on the agenda should be accompanied by a statement specifying in detail the subject in question and its European aspects.

At the first meeting of each session the Commission would fix its final agenda, and questions which were referred to the Commission but were not on the provisional agenda could not, of course, be discussed at the current session unless, for reasons of urgency, the Commission so decided. The Commission could always refer any question submitted to it to an *ad hoc* sub-commission for a preliminary opinion before deciding whether to place it on the agenda.

The Commission has already laid it down that, in principle, its proceedings shall be public. It might be arranged that, following the practice of the League Council, the Commission shall hold a private meeting at the beginning of each session for the purpose of fixing the final agenda.

Every year, after the Assembly of the League of Nations, the Commission would elect its Chairman and its Vice-Chairman.

The Secretary-General of the League of Nations would always act as Secretary to the Commission.

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Geneva, May 5th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION.**

**UNEMPLOYMENT**

*Note by the Secretary-General:*

The Secretary-General has the honour to submit to the members of the Commission the following documents:

- (1) Proposals of the International Labour Office for practical action in connection with unemployment in Europe;
- (2) Extract from the draft Minutes of the eighth sitting, on April 22nd, 1931, of the fifty-second session of the Governing Body of the International Labour Office;
- (3) Report of the Unemployment Committee, amended text adopted by the Governing Body at its fifty-first session, January 1931.

As an introduction to these documents will be found a summary prepared by the International Labour Office, of the memorandum referred to under No. 1. As will be seen from the Minutes (*vide* No. 2), the Governing Body of the International Labour Office instructed the Director to transmit the memorandum on unemployment to the Commission of Enquiry for European Union, together with the Minutes of the discussions which had taken place in the Governing Body, the proposals having been made on the Director's responsibility.

The Minutes are communicated in their draft form, as they still have to be approved by the Governing Body at its next session.

These documents are submitted to the Commission in accordance with Resolution No. VI, passed in January 1931 by the Commission of Enquiry for European Union, requesting the International Labour Office to acquaint it with the first results of the work undertaken on the question of unemployment.

**SUMMARY OF THE PROPOSALS OF THE INTERNATIONAL LABOUR OFFICE FOR PRACTICAL ACTION IN CONNECTION WITH UNEMPLOYMENT IN EUROPE.**

At its fifty-second session (April 18th to 22nd, 1931), M. Albert Thomas, Director of the International Labour Office, put before the Governing Body of the International Labour Office a memorandum, for submission to the Commission of Enquiry for European Union, with a view to practical action in connection with unemployment in Europe.

This document brings out the specifically European aspects of world unemployment. It recalls the conditions peculiar to Europe as regards the causes of the crisis and the means employed to attenuate its effects, more particularly by means of unemployment insurance. It lays special stress, however, on two points: (1) the organisation of the finding of employment for workers; (2) the execution of extensive public works.

I. *European Labour Exchange.* — The Convention on unemployment, adopted at Washington in 1919 by the International Labour Conference, laid the basis for the sound organisation of the finding of employment for workers. Of the twenty-four States which ratified that Convention, twenty-one are in Europe. The measures taken by them in the matter have certainly done something to make the crisis more bearable and even to attenuate it. It may be asked, however, whether the development of public employment exchanges in the various European countries is sufficient. The Convention provided that the operations of the various national systems would be "co-ordinated by the International Labour Office in agreement with the countries concerned". This provision has remained a dead letter so far. The time has probably come to attempt to apply it in the case of the European countries.

Either the International Labour Office itself or some public institution of a non-commercial nature, established in connection with the Office, could act as a sort of clearing-house for the regular review of the demand and supply of labour in all occupations. What has been done as regards the buying and selling of certain materials required by industry might be attempted in the case of the organisation of the employment of workers, in order to give them all work and the means of subsistence under acceptable conditions. Such an institution would be a sort of European labour exchange. It would present a moral as well as a material advantage; it would give European peoples the habit of considering questions of employment, not merely from the national point of view, but from an international point of view.

Recently, certain States have endeavoured to arrange exchanges of young workers, chiefly printers and hotel employees, with a view to enabling them to improve their knowledge of their trade and of foreign languages. The International Labour Office has acted as an intermediary in these exchanges. It has, moreover, with the assistance of various countries, done valuable

work in the finding of employment for Russian refugees; in spite of particularly unfavourable conditions, employment was found for 35,000 of the refugees.

The ground is thus not entirely new. If so desired, a European Labour Exchange could be rapidly set up and get to work within the actual framework of the many laws designed to protect labour markets against invasion by foreign labour.

2. *Programme of Extensive Public Works in Europe.* — In a recently published study, the International Labour Office has pointed out the value for the various countries of a national public works policy laid down in advance and capable of alleviating, if not preventing, unemployment, by holding over until a crisis shows signs of appearing, the execution of works not absolutely required by a specific date.

Besides pointing out the importance of national public works as a partial remedy for the crisis, the Unemployment Committee, which met in January last, drew attention to "the possibility of Governments coming to an agreement, through the appropriate organs of the League of Nations, with a view to joint execution of extensive public works of an international character".

Such work is of direct use to the country in which it is carried out, and it is of indirect, but not less vital, importance to other countries, through the substantial improvements which are provided for all concerned and through the orders of material or equipment and the demand for labour to which it gives rise. Such work would also present a psychological and moral advantage; it would interest all the countries of Europe in objects of a European character, and would thus develop that spirit of collaboration, that "European spirit", which it is the object of the Commission of Enquiry for European Union to create.

Without attempting, at the present stage, to draw up a scheme, the International Labour Office directs attention to some ideas which have already been put forward in this connection.

One such idea is for a great international road system to meet the requirements of a constantly increasing motor traffic. Special routes for motor traffic are everywhere being made in the most advanced countries of Europe. They are, however, not connected with one another. Such a road system should have main arteries, both longitudinal and transversal. There might, for example, be one main artery passing through Paris, Vienna and Athens, another through Paris, Berlin, Warsaw and Moscow, a transversal trans-alpine artery and another from the Balkans to the Baltic. This would represent the nervous system of the united Europe which it is desired to create.

A system of navigable waterways is also needed. Certain regional systems already exist and only require to be co-ordinated. The linking up of the Rhine and the Rhone and of the North German system with that of the Danube would be enterprises which would affect international waterways or waterways which pass through various countries. They would be of interest to a large number of commercial Powers of Western, Northern and Central Europe.

The Director of the International Labour Office also refers to the problem of the international distribution of electrical power, already mentioned by the Belgian Government in a memorandum to the Commission of Enquiry for European Union.

He refers, lastly, to a scheme with which the Office has long been specially preoccupied—the uniform and concerted substitution on all railways on the continent of Europe of a system of automatic coupling for the present system of screw coupling which still causes many fatal accidents every year. According to the calculations of experts, this undertaking, which is so desirable on humanitarian, economic and even technical grounds, would provide work for more than 600,000 men for five years.

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The Director of the International Labour Office emphasises the fact that, in the considerations set forth, he has systematically confined himself to what was strictly within the competence of the International Labour Organisation and to those questions within the competence of the Organisation which could be studied by the Commission of Enquiry for European Union with a view to action in the near future. He fully realises that other economic or financial action may produce a greater effect in reducing unemployment, but notes the constantly recurring difficulties encountered in the negotiations which have been carried on for some years past in this connection. From the point of view of the unemployed, immediate results are required; even if those results are limited, it does not matter so much provided they are tangible. Accordingly, the Director of the International Labour Office has deliberately left out of account in his memorandum more far-reaching and, possibly, in the long run, more effective proposals, such as problems of wages and hours of work, which, in their connection with unemployment, have given rise to controversy between the employers' and workers' representatives on the Governing Body. The study of these wide problems will be systematically continued as part of the normal work of the International Labour Organisation. In the proposals for submission to the Commission of Enquiry for European Union, the Director of the Office has confined himself to a few limited and definite suggestions concerned more especially with Europe.

In order that they may be studied and set in motion as rapidly as possible, he proposes:

(1) That a sub-committee of three members of the Commission of Enquiry for European Union should discuss with three members of the Governing Body of the International Labour Office, and with the assistance of experts—*i.e.*, the heads of the competent administrations—the possibility of the immediate development of the international placing of workers and the migration of workers in Europe;

(2) That another sub-committee, on which the Governing Body of the International Labour Office might also be represented (for labour questions), should draw up a scheme of European public works to be carried out in the near future.

## PROPOSALS OF THE INTERNATIONAL LABOUR OFFICE FOR PRACTICAL ACTION IN CONNECTION WITH UNEMPLOYMENT IN EUROPE.

(For submission to the Commission of Enquiry for European Union, May 1931.)

The Commission of Enquiry for European Union adopted, in January 1931, the following resolution No. VI:

“ The Commission of Enquiry for European Union,  
“ Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing;  
“ Requests the Secretariat of the League to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly.”

A few days later the Governing Body, on the proposal of M. Sokal, Polish Government representative, instructed the Director to submit to it “ a memorandum on the possibility of laying before the Commission of Enquiry for European Union, which will hold its meeting in May, proposals for practical action in connection with unemployment ”.

The Director submits the following observations and proposals to the Commission of Enquiry:

### I.

In order to ensure a reasonable division of work between the various bodies of the League, it is necessary at the outset to define exactly the competence of the International Labour Office and the part which it may take in any work which may be undertaken by the Commission of Enquiry for European Union with a view to reducing and, if possible, removing unemployment.

Unemployment is a social phenomenon distinct in itself from the economic depression. It is possible to imagine an organisation of employment such that economic depression might occur without the workers being inevitably thrown out of employment. Unemployment also exists during periods of economic prosperity.

The most serious unemployment, however, is usually the result of economic depression. It has even been said—wrongly, as a matter of fact—that it is only a symptom of depression. It is certain that, if it were possible to prevent cyclical and accidental economic disturbances of a more or less lasting nature, the chief causes of unemployment would be removed.

In September 1930, the League of Nations decided to make an enquiry into the development and causes of the present depression, and expressed the desire to obtain for this purpose the collaboration of the International Labour Office. In January, the Governing Body adopted a resolution which draws attention to certain economic factors which produce unemployment (excessive production of certain agricultural products, maladjustment between the production of certain industrial products and the markets' power of absorption, the inelasticity in money and credit as related to the gold supply, lack of confidence causing an inadequate distribution of gold and of credit, the fall in the purchasing power of certain countries with a silver currency, too high cost of production in certain countries, disturbances in international commerce, maladjustment of movements of population to the resources of the world, extra-rapid development of labour-saving machinery and of certain methods of rationalisation). In its studies, the Office will endeavour to appreciate the importance of each of these factors; but, as regards both Europe and the world in general, it is for the Economic Organisation of the League to study the remedies for the depression and to make the necessary proposals.

At the same time, as was emphasised by the Governing Body in its January resolution, the International Labour Office has a specific part which it can and should play, under its constitution, in order to protect the wage-earners against the evils of unemployment and, if possible, to prevent the occurrence of unemployment even during periods of depression. Through the promotion of employment exchanges, unemployment insurance, a policy of public works and an appropriate international settlement of the problems of wages and hours of work, the Office can and must endeavour to promote an organisation of employment likely to alleviate the suffering caused by unemployment, and even to prevent its recurrence.

The question thus arises whether the International Labour Office is able, in its own strictly defined sphere, to submit definite proposals to the Commission of Enquiry for European Union.

At this stage it is necessary once more to recall the general principles emphasised in the first note submitted by the Office to the Commission of Enquiry. The work of the International Labour Organisation is of a universal nature. By definition the Organisation, which was set up to protect all wage-earners, is concerned only with universal problems for which universal solutions may be found. The Conventions and recommendations adopted by the Conference are of this universal nature. The Conference, while it takes account of special circumstances, adopts rules which are to be of universal application. This must be specially borne in mind in the present case, since the economic depression is worldwide in its nature, its causes go beyond the frontiers

of individual States, and the reactions of one country on another, and even of one continent on another, are appreciable and in some cases self-evident. The work on which the International Labour Office has been engaged since its establishment in connection with unemployment has always been of this universal nature.

The Organisation cannot, however, leave out of account certain regional aspects of labour problems. The "Labour" part of the Treaties of Peace itself, and some of the Conventions adopted by the Conference, express or apply the principle that the solution of certain problems should be adapted to the nature of certain regions and to the circumstances of their social development. It may therefore be asked why the Organisation should not do for Europe what it has done for certain tropical countries. The unemployment crisis, while being worldwide, presents, nevertheless, certain aspects which are peculiar to Europe.

Some of the general causes of unemployment which are mentioned in the resolution of the Governing Body, and with regard to which all the experts are in agreement, have exercised special influence in Europe.

The agricultural depression is exceptionally serious in the countries bordering on the Danube. The over-production of certain raw materials and of industrial equipment, especially as regards coal mines and certain of the engineering industries, merits consideration in its relation to Europe. The lack of confidence which leads to imperfect circulation of capital has its chief source in Europe. Excessive cost of production is also characteristic of the European situation, at least as regards the western and Mediterranean countries in which manufacturing industries are highly developed, but which depend for their raw materials on other parts of the world. It is the old industrial countries of Europe which have particularly suffered in external trade from the establishment or development of new centres of production in America, the Far East and even in the southern hemisphere, and from the artificial barriers to international trade and the difficulties created in such trade by the problem of political debts. As regards the adjustment of movements of population to the resources of the world, it is in Europe more than anywhere else that there is possibly a surplus of workers as compared with the available employment. Finally, the development of labour-saving machinery and of rationalisation raises problems of European organisation.

As regards all these possible causes of economic disturbance and of unemployment, the Governing Body recognised their universal nature as well as their European nature. But there are still others which are peculiar to Europe. In most European countries during the war there sprang up various artificial industries, which have since been maintained as a result of national policies of protection. The existence of such industries under ordinary conditions is not justified and compromises the economic equilibrium of the Continent by reducing the normal exports of the countries in which these industries have always been carried on because of favourable physical and economic conditions. Thus Europe has become its own competitor on its own home market. The unemployment at present afflicting the workers in Europe would appear to be attributable, to some extent at least, to a lack of organisation in Europe.

The Economic Organisation of the League will no doubt have occasion to suggest to the Commission of Enquiry the steps which might appropriately be taken in Europe. Similarly, in the special sphere of the Office, in accordance with and in execution of the principles laid down in the Conventions and recommendations, there is certain action which might appropriately be taken to combat the unemployment at present existing in Europe and which, in the opinion of the Office, should be brought to the notice of the Commission of Enquiry.

## II.

*Unemployment Insurance.* — The establishment of unemployment insurance was the subject of one of the first recommendations of the International Labour Organisation. The object of the insurance is to compensate the unemployed to some extent for the loss of wages. Nevertheless, in the opinion even of those who, like the Director, do not consider that insurance reacts unfavourably on the re-employment of labour in spheres of activity capable of development either within the country or abroad, insurance does not cure a country of unemployment. It simply provides a measure of assistance for the unemployed.

That, however, is in itself an appreciable result. The reserves accumulated by insurance during periods of activity and prosperity maintain during periods of depression a certain purchasing power amongst those who no longer find remunerative employment. They also maintain the *moral* of those concerned—a by no means negligible advantage. In a country in which unemployment exists, they ensure to industry and to society a certain equilibrium and a certain power of resistance which enables the country better to withstand the depression.

This was brought out in the recommendation adopted by the Washington Convention in 1919, to the effect that "each Member of the International Labour Organisation establish an effective system of unemployment insurance either through a Government system or through a system of Government subventions to associations whose rules provide for the payment of benefits to their unemployed members".

Up to the present, unemployment insurance has developed almost solely in Europe. Reference to the tables recently published<sup>1</sup> by the International Labour Office will show that systems of compulsory insurance against unemployment are already in existence in nine European countries (Austria, Bulgaria, Germany, Great Britain, Ireland, Italy, Poland, Switzerland (nine cantons), U.S.S.R.) covering more than 46 million workers, and that subsidised systems of

<sup>1</sup> *International Labour Review*, Vol. XXVII, No. 1, January 1931, pages 50 and following. In the case of Italy, the number of insured should be calculated at 5,000,000, instead of 2,600,000.

optional insurance are in operation in eight countries (Belgium, Czechoslovakia, Denmark, Finland, France, the Netherlands, Norway, Switzerland (fourteen cantons)) covering 2,800,000 workers. This represents a considerable progress if it be remembered that, in 1919, the number of insured workers did not exceed 5 millions, the majority of whom—3,700,000—were in Great Britain, which was the only country in which at that time compulsory insurance existed, and even then it applied to certain industries only.

Much still remains to be done, however, in Europe in order to extend compulsory insurance to all countries of the Continent, and thus to increase the possibilities of economic co-operation on a footing of equality by removing the differences in the standard of living of the workers in the various countries.

In order to expedite progress on these lines, not, indeed, in Europe only, but throughout the world, the Governing Body of the Office will no doubt decide to submit at an early date to the Conference, as already suggested by the latter, a proposal for transforming the Washington recommendation into a Convention.

*The Finding of Employment for Workers.* — It cannot, of course, be maintained that unemployment is chiefly due to maldistribution of the labour supply. As has already been seen, the principal cause is the economic depression, which is aggravated in Europe by certain disturbing elements of a permanent nature. It is, however, quite obvious that a sound organisation of the finding of employment by public exchanges, such as are recommended in the Unemployment Convention adopted by the International Labour Conference at Washington in 1919, tends to render the depression less burdensome and even to reduce it. Redistribution of labour and transfer of workers from one industry to another, adjustment of supply and demand by a sound organisation of vocational guidance, systematic preparation and diffusion of information concerning offers of employment—these are the most immediate and most tangible results obtained from the establishment of public employment exchanges. But, if appropriately organised, these exchanges can do more than this. When they see that the requests for employment are increasing, they can indicate the appropriate moment for giving effect to a policy of public works, to which reference will be made later. They can be warned by employers who are rationalising their undertakings of the moment at which the process of rationalisation produces, at least temporarily, that unemployment which is so often the price which must be paid, and they can take steps to meet the situation.

The International Labour Office will no doubt have occasion at an early date to promote further measures of general interest for all the countries of the world. In the case of Europe, it cannot be denied that that continent has already shown considerable appreciation of the assistance to be derived from the institutions recommended by the 1919 Convention, since, of the twenty-four States which have ratified the Convention, twenty-one<sup>1</sup> are in Europe, while one other European country has been authorised by its national authority to ratify, and, in the case of two others, ratification has been recommended by the Government to the national authority.

It may be asked, however, whether this development of public employment exchanges in the various European countries is sufficient. The Washington Convention provided that "the operations of the various national systems would be co-ordinated by the International Labour Office in agreement with the countries concerned". It must be admitted that this particular provision has remained a dead letter so far. The time has probably come to attempt to apply it in the case of the European countries.

Some Governments have already shown the importance which they attach to this provision. Thus, in its last report on the enforcement of the Convention, the Polish Government expressed the desire that the International Labour Office, after consultation with the countries concerned, should make proposals in order to render uniform the methods of finding employment.

It would, however, be possible to go further. Even in times of serious unemployment, there are often industries which in certain countries are short of labour, and for the requirements of which it might be more economical, from a general European point of view, to bring trained workers from another country rather than to attempt to adapt to employment in those industries unemployed workers in the country itself who might be skilled in other work. Either the International Labour Office itself or some public institution of a non-commercial nature established in connection with the Office could act as a sort of clearing-house for the regular review of the demand and supply of labour in all occupations. What has been done as regards the buying and selling of certain materials required by industry might be attempted in the case of the organisation of the employment of workers in order to give them all work and the means of subsistence under acceptable conditions. Such an institution would be a sort of European labour exchange. If it could be established and brought into operation, the material advantage would be at once obvious. But the moral and, so to speak, psychological advantage would be at least as great. It would give to European peoples the habit, which they are still far from possessing, of considering questions of employment, not merely from the national point of view, but from an international point of view. Recently, certain States have endeavoured to arrange the exchanges of young workers, chiefly printers and hotel employees, with a view to enabling them to improve their knowledge of their trade and at the same time to acquire also a knowledge of foreign languages. In this connection, the International Labour Office has acted as an intermediary between various international associations of employers and workers interested in these exchanges. The absence of international systems of employment offices has constituted an obstacle to such exchanges, with the result that

<sup>1</sup> Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Luxemburg, Norway, Poland, Roumania, Spain, Sweden, Switzerland, Yugoslavia. The three non-European countries are India, Japan and the Union of South Africa. Ratification has been authorised by the competent authority in the Netherlands; in Czechoslovakia and in Latvia the competent authority has been recommended to ratify.



there has been created in some countries a certain amount of discontent and dissatisfaction which is not conducive to harmonious co-operation. Doubtless it would be desirable that such an employment exchange should not be merely European, but should become universal. It seems to the Office, however, that, in order to be successful, the experiment should at the outset be limited in scope and carried out on conditions offering the possibility of success. In Europe, the way has been prepared by the various ratifications of the 1919 Convention, in addition to which there is the fact that the suggested exchanges of workers would be facilitated by the relatively limited extent of European territory and the relative proximity of the two points within which the exchanges would take place. If the experiment obtains the success desired, the scope could be enlarged so as to become worldwide, but it would appear that it should first be tried in Europe. Encouragement to undertake it is to be found in the work done by the Office, with the assistance of various countries, in the finding of employment for Russian refugees. In spite of particularly unfavourable conditions, it was possible to find employment for 35,000 of the refugees.

*Migration within Europe.* — In addition to the problem of placing the individual worker in employment, which concerns particularly the skilled worker and the employer requiring his services, it is necessary to distinguish certain other mass movements of an international character which are caused by the necessity of adjusting population to the economic development of the various countries, and which lead to the establishment of definite currents of migration of a more or less regular nature. Attention used previously to be concentrated on overseas migration, which was the largest in volume, and which was long the only kind of migration with regard to which statistics were available. Closer study has shown that considerable importance must be attached also to the migration of workers from one European country to another. Such migration has, moreover, developed according as overseas migration has diminished through the necessity, at first scarcely felt but now increasingly appreciated and expressed by European nations, of adapting themselves more closely to the possibilities of their own continent.

Migration of this kind has long taken place from Belgium, Spain and Italy into France, from Italy into Switzerland, and from Poland into Germany. For some ten years past regular movements have been observed from Poland, Czechoslovakia, Austria, Hungary and Roumania into France, from Poland into Denmark, and from Austria and Czechoslovakia into Germany. There are many other movements of the same kind. All these movements could not be left unregulated or serious difficulties of all kinds would have occurred. They required to be controlled, organised and regulated, according to variations in the conditions from which they arose. A policy of bilateral international agreements has been developed for this purpose. It would appear that steps might be taken further to develop this policy.

In the first place, there might be developed amongst European countries greater exchange of information on the changing conditions of the labour market in the various occupations in the various countries, so as to furnish full and objective information to emigration countries concerning the conditions of employment and residence obtaining in the immigration countries. This the International Labour Office has already done, to the extent of the information which it possesses, in the case of all the countries of the world, and it could develop its work even further in the case of such European countries as would be prepared to increase the volume and reliability of the information furnished. Here again, as in the matter of the finding of employment for individuals, the International Labour Office could render undoubted service as a "clearing-house", unless such duty could be better discharged by the European labour exchange suggested previously.

The International Labour Office could, however, especially in view of the duties assigned to it by the Treaty of Peace, of which the essential feature is the protection of the wage-earners, intervene in order to ensure that the living and working conditions of immigrant workers are on the same level as those enjoyed by the subjects of the immigration countries. Such equality of treatment is very desirable, particularly in Europe. Many immigration countries, rich industrial countries, have laid down for their workers standards which they legitimately fear might be lowered if new arrivals were able to work on lower standards. Hence the utility of bilateral agreements between immigration and emigration countries, which, while regulating the procedure for the recruitment and placing of workers with a view to the national interests involved, also ensure to national and foreign workers the same treatment for the same work. Twenty-four such agreements are already in force in Europe, covering sixteen States<sup>1</sup>. Of these twenty-four agreements, eleven are agreements between Governments, four are agreements between administrations, four are non-official agreements, and five are clauses concerning migration, contained in commercial treaties.

This situation contains features which may inspire some degree of satisfaction. It would, however, be desirable if it could be supplemented, for by no means all countries of emigration have as yet concluded agreements with countries of immigration. Among the former, Poland and Austria have each concluded five agreements, but Italy only three, Czechoslovakia three, Yugoslavia and Hungary two each and Roumania one. Among the countries of immigration, France has already concluded eight agreements and Germany five, but Belgium has only made four, Luxemburg two and Switzerland one.

The International Labour Office is able to offer its services with a view to promoting the conclusion of further agreements. It can give still further help in establishing definite rules by

<sup>1</sup> The following are the States parties to the Treaties (the names in parentheses are those of the States with which the State mentioned has concluded a bilateral treaty): *Germany* (Austria, Lithuania, Poland, Czechoslovakia, Yugoslavia); *Austria* (Germany, France, Hungary, Poland, Czechoslovakia); *Belgium* (France, Italy, Luxemburg, Poland); *Denmark* (Poland); *France* (Austria, Belgium, Hungary, Italy, Poland, Czechoslovakia, Roumania, Yugoslavia); *Hungary* (Austria, France); *Italy* (Belgium, France, Luxemburg); *Latvia* (Lithuania, Poland); *Liechtenstein* (Switzerland); *Lithuania* (Germany, Latvia); *Luxemburg* (Belgium, Italy); *Poland* (Germany, Austria, Belgium, Denmark, France, Latvia); *Roumania* (France); *Switzerland* (Liechtenstein); *Czechoslovakia* (Germany, Austria, France); *Yugoslavia* (Germany, France).



embodying in a Convention the main principles on which every bilateral agreement should be based. Thus, the free circulation of workers, which is not less desirable than the free circulation of goods, would gradually be established in Europe and would at the same time be regulated and provided with safeguards. The provision of proper safeguards for emigrants and their suitable distribution in accordance with their capacities and the requirements of the countries of immigration would regularise migration currents, and would probably increase their volume, thus tending to alleviate unemployment in countries which at present appear to be over-populated in comparison with their productive capacity and the opportunities of employment which they offer.

Such are the lines on which the internal problem of migration within Europe may be dealt with. Europe, however, has been in the past, and still is to-day, mainly a region of transoceanic emigration. Surely it would do well to try the method of the "united front". A united Europe would surely be in a better position to negotiate migration treaties with oversea countries which would make due allowance for the requirements of both parties. Here, again, the work which might be done by the International Labour Office or an official institution set up in connection with it, acting as a clearing-house both for information on requirements and for the distribution of migrants, would be of great value. Moreover, a European organisation could consider the possibility of granting credits to countries of immigration which might require them in order to receive European immigrants, to establish them and to equip them. The policy of international credits which has recently been inaugurated for the benefit of European agriculture might also be applied in other directions. One of the most suitable and fruitful fields for such a policy would be the settlement in foreign countries of some proportion of the surplus working population which at present clogs the European economic system, and shows signs of becoming a possible social danger.

*Organisation of Public Works.* — In a recently published study,<sup>1</sup> the International Labour Office has pointed out the value of a national policy of public works, for those countries which have drawn up schemes in advance, in alleviating if not preventing unemployment. What is meant here is not the improvised organisation of "relief works" at a time when unemployment threatens to prevail or has already appeared. Improvised works of that kind can never be more than an uncertain palliative which produces comparatively little effect, and may even impede the resumed activity of private industry. On the other hand, however, the preparation of a well-thought-out scheme of public works useful to the community and economically profitable, to be carried out in sections as soon as an unemployment crisis shows signs of appearing, may be extremely effective. Work of this kind should be begun before unemployment becomes acute—*e.g.*, when the number of unemployed amounts to about 4 per cent of the total working population. The work should, if possible, not create any artificial demand for labour. It should not induce regularly employed workers to leave their ordinary posts, nor should it provide employment for the unemployed as such. The necessary skilled labour should be found where it exists, and employment should thus be provided for those who are out of work either directly, if they are capable of doing the work in question and in a position to take part in it, or indirectly by the vacancies created in certain districts and certain undertakings. The work should, moreover, be organised on economically sound lines; in other words, the wage rates should be those normally paid.

National public works organised on these lines are bound to produce good results. Not only do they directly diminish the number of unemployed, but the economic activity which they stimulate, by ordering tools and material from private industry, and by increasing the purchasing power of the worker (who in all cases receives a higher wage than the sum which he might obtain through a system of unemployment insurance or public relief), restores confidence in private industry and promotes its activity.

It will thus be seen that good effects of various kinds may be produced by systematically planned public works, the execution of which can be adjourned in time of prosperity and hastened when a crisis appears. The publication of the International Labour Office analyses such schemes of public works and the effects produced in various European countries, France, Germany, Finland, Great Britain, Sweden, Norway, Switzerland and Italy. Up to the present, however, no concerted schemes of public works planned on a European scale for the benefit of Europe have come into existence.

The Unemployment Committee of the International Labour Office drew attention to "the possibility of Governments coming to an agreement through the appropriate organs of the League of Nations with a view to joint execution of extensive public works of an international character". The value of such work is two-fold. It is of direct use to the country in which it is carried out, and it is of indirect but not less vital importance to other countries through the substantial improvements which are provided for all concerned, and through the orders of material or equipment and the demand for labour to which it gives rise. Indeed, such work would also present a psychological and moral advantage. It would interest all the countries of Europe in objects of a European character and would thus develop that spirit of collaboration, that *European spirit* which it is the object of the Commission of Enquiry for European Union to foster.

It is interesting to note that the idea of great international public works has haunted the minds of all those who, for more than a hundred years past, have dreamed of a united Europe. It was the idea which Saint-Simon put forward so ably in his remarkable memorandum of 1815. Quite recently it was put forward again by the American engineer, Dannie Heineman,<sup>2</sup> who

<sup>1</sup> *Unemployment and Public Works*. International Labour Office, Studies and Reports, Series C, No. 15, Geneva, 1931.

<sup>2</sup> *Esquisses d'une Europe nouvelle*, Brussels, 1931.

endeavours to show that Europe, like the United States of America, cannot create economic equilibrium and close solidarity except by improving and developing the machinery for intercourse, roads and railways.

It would no doubt be premature and presumptuous to attempt at the present stage to draw up a scheme of international public works for Europe. Some ideas have, however, already been put forward, and the International Labour Office may draw attention to them by way of example.

One of such ideas is that of a great international road system. Europe already has, of course, numerous and fine roads; certain European road systems are among the finest in the world. But at the present day, when motor traffic is increasing so enormously and so rapidly, it surely can hardly be maintained that any of these road systems is entirely sufficient to meet the needs of international trade. Special roads for motor traffic are everywhere being made in the most advanced countries of Europe. They are, however, not connected with one another, but rather resemble scattered fragments of a body which has not yet come into existence and which does not even appear to have been imagined as a whole by any human mind.<sup>1</sup> Such an international road system should have main arteries, both longitudinal and transversal. There might, for example, be one main artery passing through Paris, Vienna and Athens, another through Paris, Berlin, Warsaw and Moscow, a transversal trans-Alpine artery and another from the Balkans to the Baltic. This would, as it were, represent the nervous system of the united Europe which it is desired to create.

A system of navigable waterways is also needed. Certain regional systems already exist and only require to be co-ordinated. The linking up of the Rhine and the Rhone and of the North German system with that of the Danube would be enterprises which would affect internationalised waterways or waterways which pass through various countries. They would be of interest to a large number of commercial Powers of Western, Northern and Central Europe.

Something has already been done, though only on a small scale, in the direction of transmitting electric current from one country to another. Arrangements for this purpose have been made between Switzerland, on the one hand, and France, Germany and Italy on the other hand, as well as between France and Belgium. The Belgian Government, in a memorandum addressed to the Commission of Enquiry for European Union in January 1931, raises the problem of the international distribution of electrical power. This would be an extremely useful piece of work and would help to provide Europe with a unified economic organisation, which would be one of the surest pledges of its political and spiritual union. It will, of course, be realised that important orders for material of various kinds would have to be placed in numerous countries for an undertaking of this kind.<sup>2</sup>

It is not necessary to put forward too many suggestions of this kind at the present stage, but a word may nevertheless be said concerning a scheme with which the Office has long been specially preoccupied—the uniform and concerted substitution on all railways on the Continent of Europe of a suitable system of automatic coupling for the present system of screw-coupling, which still causes many fatal accidents every year. In accordance with a resolution adopted by the Labour Conference in 1928, a committee was set up to study this problem. That committee got into touch with the International Railway Union, which is studying the technical, economic and financial aspects of the problem. The studies are proceeding satisfactorily, and it is hoped that a solution may be reached in a comparatively short time. It is not necessary to explain in the present note the details of what is being done. It may, however, be pointed out how much an undertaking on so large a scale and presenting such great social and, indeed, economic utility (for not only is it economically desirable to save human lives, but even from the technical point of view the change would present advantages) might do to promote the solution of the terrible problem of unemployment. A qualified expert gives the following figures regarding the operations which would have to be carried out in Germany alone for the introduction of automatic coupling: 750,000 trucks would have to be equipped, the total expenses would be about two milliard Swiss francs, and of this sum he estimates that only one-fifth would be absorbed by material and four-fifths, or 1,600,000,000 Swiss francs, by wages. Taking as a basis a wage of 10 francs per day and estimating the period required for the work at five years, it will be seen that work would be provided for more than 100,000 men for five years to transform the German material alone. The total number of railway trucks in Europe is six times as many as the number in Germany; thus, more than 600,000 workers would be provided with employment for five years if this work, which is of undoubted international utility, were undertaken.

It is fully realised that these questions are new ones. They may encounter scepticism, they may disturb traditional views and arouse uneasiness among particular interests. Nothing can be done on the lines here suggested without a bold general conception, international financial co-operation and the sacrifice of certain narrow national interests. It would, nevertheless, appear that the idea of international public works is gradually making headway. In the discussion which took place on this point in connection with unemployment at the meeting of the Governing Body of the International Labour Office in January 1931, the German Government representative stated that the idea of public works carried out in accordance with international agreements might well be developed and might lead to practical results. He stated that certain European countries, such as Great Britain and Germany, which have long suffered from an unemployment crisis, are meeting with increasing difficulties when they attempt to inaugurate public works of real

<sup>1</sup> Cf. the recent schemes for motor roads worked out by M. Péliguet and M. L. Lainé, who lay stress on the international character of their French roadway scheme. As regards the development of railway systems, the Office has received a copy of an inter-European and Asiatic railway scheme submitted to the Communications and Transit Committee of the League of Nations by an Italian engineer, M. Barduzzi.

<sup>2</sup> Cf. "Les deux Europes", by M. Delaisi, and "The Importance to be attributed to Electricity for the Transformation of Europe, B" in a pamphlet by Mr. Heineman.

economic utility. There remains the resource of undertaking international public works in collaboration with other States which have adequate funds at their disposal.

### III.

In the considerations set forth above, the Office has systematically confined itself to what fell strictly within the competence of the International Labour Organisation; *nay, more*, to those questions within the competence of the Organisation which could be studied by the Commission of Enquiry for European Union *with a view to action in the near future*.

It is fully realised that economic or financial action may produce a greater effect in reducing unemployment. Great hopes are reposed in the development of International agreements for adjusting production to effective market demand, for distributing the available capital in a more satisfactory way, for reducing Customs duties and for facilitating the organisation of commerce. It is, however, impossible not to realise the constantly recurring difficulties encountered in the negotiations which have been carried on for some years past in order to put these ideas into application. It is impossible not to realise that, even if such a programme were progressively carried out, it would not be followed by an instantaneous recovery of the economic system which is so profoundly disturbed. It must, indeed, be recognised that certain reform measures, such as the reduction of Customs barriers, might at first cause increased unemployment among certain classes of workers.

From the point of view of the unemployed, immediate results are required; even if those results are limited, it does not matter so much provided they are tangible. The action proposed above would produce direct and speedy effects. For the same reason the Office has in the present memorandum deliberately left out of account more far-reaching, and possibly in the long run more effective, proposals, which are definitely within the competence of the International Labour Organisation, but for the immediate realisation of which the Organisation is not yet in a position to take effective action. What the Office has in mind is the problems of wages and hours of work which, in their connection with unemployment, have given rise to controversy between the employers' and workers' representatives on the Governing Body. No opinion will therefore be stated in the present note concerning the immediate effectiveness of a reduction in the working day or week, or of the maintenance (pending the raising) of wages as a means of combating unemployment. It nevertheless appears certain that closer agreements on the lines of the Conventions with a view to improved conditions of labour, such as those which the Office is at present endeavouring to promote in the case of coal mines, would decrease unfair competition and would remove many of the causes of unemployment in Europe. The study of these wide problems will be systematically continued as part of the normal work of the International Labour Organisation. The present memorandum is confined to a few limited and definite suggestions, concerned more specially with Europe.

In order that they may be studied and set in motion as rapidly as possible, the following proposals are made:

" 1. That a sub-committee of three members of the Commission of Enquiry for European Union should discuss with three members of the Governing Body of the International Labour Office, and with the assistance of experts—*i.e.* the heads of the competent administrations—the possibility of the immediate development of the international placing of workers and the migration of workers in Europe.

" 2. That another sub-committee, on which the Governing Body of the International Labour Office might also be represented (for labour questions), should draw up a scheme of European public works to be carried out in the near future. "

It is quite realised that the adoption of these proposals would not mean the end of unemployment in Europe. It would, however, mean that some part of the work which could be carried out at once in connection with labour protection would have been attempted.

Rapid action is possible in connection with the finding of employment and migration. If it is desired, a European Labour Exchange could be set up rapidly and could work on the lines laid down by the numerous laws intended to protect national labour markets against an excessive influx of foreign labour. The question of public works would, of course, require more time. Even in the national sphere, the difficulties have sometimes proved discouraging. Internationally, there will, of course, be still more obstacles. It will be necessary to overcome prejudices in many quarters. Technical and financial difficulties will be encountered. It must not be thought that, before they have been overcome, the present terrible unemployment crisis will have been remedied by a spontaneous recovery of industry. It must be remembered that depression may recur, and preparations must be made to set in motion the great international mechanism constituted by a far-reaching and well-considered scheme of international public works. It must not be forgotten that, in addition to the cyclical elements in the present depression, which act alternately in one direction and in the other, there are the elements of endemic unemployment from which certain great European countries have suffered for years past and will perhaps suffer for years to come. In the interests of all parties, Europe as a whole must show its sense of solidarity. Collaboration for the execution of great public works and for the institution of a European Labour Exchange would have a limited but nevertheless definite utility in reducing the number of the unemployed. It would, moreover, have considerable moral value for the development of European unity. If the Commission of Enquiry can transform these two simple formulæ of systematic European collaboration into reality, it will have proved the possibility of movement by moving. The action outlined above represents the two *first steps* which it is proposed that it should take.

Geneva, April 15th, 1931.

THE GOVERNING BODY OF THE INTERNATIONAL LABOUR OFFICE.

FIFTY-SECOND SESSION, APRIL 1931, GENEVA.

Extract from the Draft Minutes of the Eighth Sitting

(Wednesday, April 22nd, 1931, Afternoon).

The eighth sitting of the fifty-second session of the Governing Body of the International Labour Office opened at 3.30 p.m. on Wednesday, April 22nd, 1931, at the International Labour Office, Geneva.

The following members were present:

M. Arthur FONTAINE (*Chairman*).  
Sir Atul CHATTERJEE.  
M. GEMMILL.  
M. JOHANSON.  
M. JOUHAUX.  
Mr. KIRKALDY (*substitute for Mr. Forbes Watson*).  
M. KRUEGER (*substitute for M. Vogel*).  
M. LAEMMLE (*substitute for M. Weigert*).  
M. LAMBERT-RIBOT.  
M. MAHAIM.  
M. MARCHESI (*substitute for M. Olivetti*).  
M. MERTENS.  
M. DE MICHELIS.  
M. MOLIN.  
M. MÜLLER.  
M. OERSTED (*substitute for M. Hodač*).  
M. POSADA.  
Mr. POULTON.  
Mr. RIDDELL (*substitute for Mr. Robertson*).  
Mr. SCHÜRCH (*substitute for Mr. Moore*).  
M. SOKAL.  
Mr. WOLFE (*substitute for Mr. Lawson*).  
M. YOSHISAKA.

Absent:

M. CANTILO.

The following deputy members were present:

M. BACKLUND (*substitute for M. Hueber*).  
M. BRABLEC.  
M. ČURČIN.  
M. ERULKAR (*substitute for M. Fujita*).  
M. LECOCQ (*substitute for M. Gérard*).  
M. SCHEVENELS (*substitute for M. Caballero*).  
M. TZAUT.  
M. VANEK (*substitute for M. Oersted*).  
M. ZULAWSKI.

There were also present:

M. Albert THOMAS, *Director of the International Labour Office*.  
Mr. H. B. BUTLER, *Deputy Director of the International Labour Office*.  
Mr. PHELAN and Mr. PÔNE, *Secretaries to the Governing Body*.  
M. VIPLE, *Chef de Cabinet of the Director*.  
M. BERIO, accompanying M. de Michelis.  
M. LABRIOLA, accompanying M. de Michelis.  
Miss CLARK, accompanying Mr. Riddell.  
M. HOSONO, accompanying M. Yoshisaka.  
M. ISHII, accompanying M. Yoshisaka.  
Mr. KERWYN DE MEERENDRÉ, accompanying M. Lecocq.  
Mr. MATHER, accompanying Sir Atul Chatterjee.  
M. PICQUENARD, accompanying M. Arthur Fontaine.

M. Carlos POSADA, accompanying M. Posada.  
Mr. ROLLS, accompanying Mr. Kirkaldy.  
M. ROSNER, accompanying M. Sokal.  
M. SJÖSTRAND, accompanying M. Molin.  
Mr. SOMERVELL, accompanying Mr. Wolfe.  
M. WALINE, accompanying M. Lambert-Ribot.

**Twelfth Item on the Agenda : Continuation of the Discussion on Unemployment.**

The DIRECTOR reminded the Governing Body of the conditions under which it had instructed the Office at its fifty-first session to prepare for the April session a memorandum on the possibility of laying before the Commission of Enquiry for European Union, which would hold its next meeting in May, proposals for practical action in connection with unemployment, while itself continuing its researches and activity in the international sphere.

The Unemployment Committee had not met again before the present session of the Governing Body, and, since the agenda of the present session was very heavy, the Office had mainly directed its efforts on the unemployment question towards preparing the memorandum on which the Governing Body was called upon to take a decision.

In addition, the resolution adopted at the fifty-first session of the Governing Body had been communicated to the Organisation Sub-Committee of the Commission of Enquiry for European Union, which had referred to it in its report. If therefore the Governing Body approved the lines on which the Office in its memorandum proposed to lay the question before the Commission of Enquiry for European Union, the Office would send the memorandum to that Committee.

The Director's report to the fifteenth session of the International Labour Conference would, moreover, deal more specially with the question of unemployment as a whole, so that the Conference could hold a general discussion on that question.

The memorandum submitted to the Governing Body might be considered to be of a somewhat limited and cautious nature. Although the unemployment problem and its remedies were of a universal character, and the International Labour Organisation was concerned with solutions which might be applied to the whole world, there were nevertheless certain aspects peculiar to Europe, and it was of course with those aspects that the memorandum primarily dealt.

The possible remedies for unemployment in Europe might be of a political, financial or economic character, which removed them outside the competence of the Organisation. Thus, for example, far-reaching measures might be contemplated with a view to a Customs truce or a more satisfactory distribution of gold, the improvement of the circulation of capital or the distribution of credit. The Office could, of course, refer to the importance of such elements; but it should mainly devote its energies to drawing attention to the measures and reforms which fell within its competence. However limited those measures might appear, it felt that it was its duty to recommend them.

M. YOSHISAKA said that the memorandum of the Office on unemployment from the European point of view contained certain suggestions which deserved particular attention in view of their permanent character.

The memorandum dealt with certain phenomena and certain causes of unemployment which it considered as specifically European. Nevertheless, even within Europe itself, conditions were not always similar, and the intensity and character of the crisis differed in different districts. Moreover, certain of those phenomena and causes existed to an even greater extent in oversea countries than in certain European countries. It therefore appeared that the measures proposed in the memorandum, as, for example, the organisation of international public works, employment exchanges, and so on, could be applied to oversea countries as well. If international public works, for example, were organised on a wider basis than that of Europe, it would be greatly to the advantage of the Europe workers themselves. The credits necessary for carrying out such work might also have a wider international character.

The memorandum referred to the question of emigration only from the European point of view. Here again the exchange of labour should not be limited to European emigration, but should aim at an exchange of workers between countries in all continents. There were some oversea countries whose interests were identical with those of European countries, and those countries would welcome international action on broad lines, especially in connection with measures of a permanent character.

Incidentally, M. Yoshisaka would be glad if the Director would indicate on what legal basis the question of unemployment could be treated specially with regard to Europe.

M. PICQUENARD said that, while it would be desirable for the Organisation to be able to put forward practical suggestions for remedying unemployment, he thought it might be dangerous to recommend measures which could not be carried out in the near future, as the prestige of the Organisation might suffer if they were unsuccessful.

The memorandum of the Office expressed the opinion that a European Labour Exchange could be set up rapidly, but that the organisation of international public works would require more time. It might be questioned, however, whether the organisation of the Labour Exchange would not in fact encounter the same difficulties as the organisation of international public works. This depended on what the European Labour Exchange was to be. If it were proposed merely to centralise information concerning the labour market in the various countries, it could, of course, be organised at a very early date.



The information which the majority of European States furnished periodically to the International Labour Office under the Unemployment Convention might serve as a basis for its work, and if that information were published earlier, in more detail and with greater uniformity, valuable progress might be made.

If, however, it were proposed that the European Labour Exchange should play a more active part, and should itself undertake to place workers in employment and to act as an intermediary between applications and vacancies, its functions would be of a much more delicate nature and would doubtless encounter serious difficulties. It was well known that the balancing of applications and vacancies within a country was a difficult matter, and the difficulties would be much greater when several different countries were concerned. Workers could not be treated as interchangeable merchandise; their origin was not a matter of indifference to their future employers. Foreign workers would obviously be more acceptable in proportion as the customs and methods of working of their country of origin resembled those of the country of immigration. Similarly, a country of immigration would obviously be inclined to give preference to workers from neighbouring countries, since their transport and possible repatriation would be easier and less costly. Moreover, the countries of emigration themselves would want to know in what countries and under what conditions its nationals were to obtain employment.

Questions of that nature had, up to the present, been governed by bilateral treaties, and it might be questioned whether they would be more satisfactorily regulated by a European organisation working on international lines. In any case, the negotiations would take a long time, so that the European Labour Exchange could not be put into practical operation for some considerable time.

Reference had been made to the action taken by the Office in placing refugees. But it must be remembered that only 35,000 persons had been dealt with in the course of several years, and that the operation was not really one of balancing applications and vacancies. It really came under the category of assistance, and was not carried out in order to supply definite labour requirements.

But, even if these difficulties were overcome, it was not certain that a European Labour Exchange would really bring practical relief to the present unemployment crisis. It could not balance applications and vacancies unless both existed. There would be no difficulty in finding available workers in most countries, but while the world crisis continued, it would be difficult to find countries where such workers could be employed. As far as France was concerned, labour was not at present required in any occupation which could not be supplied either by French workers out of employment, or by the seasonal immigration which had always existed and which, owing to the present crisis, had been considerably reduced. In this connection, the number of foreign workers who left France of their own accord was considerably higher than the small number who entered France, whereas, in preceding years, the exact contrary had been the case. This state of affairs was likely to continue for months or even years to come.

In the circumstances, it must not be expected that the European Labour Exchange, especially if it were required to play an active part in the placing of workers, would provide immediate relief, however slight, for the present unemployment crisis. That was, however, no reason why it should not be set up; it would no doubt be of a certain utility, but exaggerated hopes should not be reposed in it.

As a practical conclusion, M. Picquenard suggested that the question should be referred to the sub-committee which the memorandum proposed should be set up. It would perhaps be desirable, however, that both countries of emigration and countries of immigration should be sufficiently represented on the sub-committee so that all points of view could be taken into consideration.

M. ČURČIN pointed out that, in accordance with the instructions which it had received, the Office had to limit its study to the consideration of the social measures to be taken to counter unemployment, leaving aside the purely economic factors. That, in practice, was impossible, and it was probable that, if the Office had been able to consider the question as a whole, the result of its studies might have been better balanced. In the introduction to the memorandum, the economic causes of the present crisis and of unemployment had been reviewed, but not very clearly or fully. Thus, the memorandum made no reference to the part played by Stock Exchange speculation, which was of the greatest importance, particularly since close connections existed between the principal stock markets of the world. It might, therefore, have been better to make no reference whatever in the memorandum to the economic aspect of the question.

With regard to the remedies of a social nature with which the Office considered itself competent to deal, it appeared, as M. Picquenard had suggested, that too optimistic a view had been taken of the immediate results to be obtained. In fact, economic measures alone could effectively remedy the general economic crisis and the resulting unemployment crisis. The measures which fell within the competence of the Organisation were really of a secondary character, and the memorandum attributed too much importance to them.

The memorandum also contained certain contradictions. On the one hand, it called attention to the necessity of increasing economic collaboration on a basis of equality and of making efforts to render conditions of work uniform in order to decrease "unfair competition"; but, on the other hand, it made no reference to certain factors such as rates of interest of 10 to 20 per cent which, in the poorer countries of Eastern Europe, had a serious effect on costs of production. If there was to be any reference to competition, all its elements should be taken into consideration.

M. Picquenard had referred to bilateral emigration treaties, but even countries where such treaties were in operation frequently expelled foreign workers. It had even happened that



workers' organisations had demanded that foreign workers should be replaced by nationals. Before setting up labour exchanges to find employment for workers internationally, it would be necessary to leave foreign workers in the countries where they had already found employment.

Reference had been made to the work of the Office in placing Russian refugees. That, however, had been an entirely different matter. It was not likely, for example, that the European unemployed would consent to work in South America.

With regard to public works, it seemed that, during the economic crisis, the budgets of the various States which mostly showed a deficit could scarcely be expected to bear the additional expense required for work mainly undertaken as a remedy for unemployment. It must also be considered whether the various countries would have sufficient credit to raise loans under such conditions.

As regards the two committees suggested at the end of the memorandum, he proposed that the first should consider primarily the question of requiring Governments to retain foreign workers who were already employed in their countries, and postpone until a later date its consideration of the other subjects suggested in the memorandum, and that the second committee should in any case consider the financial and credit situation of the countries in which public works might be undertaken.

M. MÜLLER said that he was greatly disappointed with the memorandum submitted by the Office. It was true that the Office stated that the remedies proposed would not result in a definite elimination of unemployment but would merely tend to bring about its rapid reduction in certain directions. The remedies suggested, however, appeared, in the light of the painful experience of the German workers, to be illusory.

Unemployment insurance, for example, would be universally admitted to be nothing more than a remedy for the miseries caused by unemployment and not for unemployment itself. It might at the most have a certain influence in alleviating the crisis, since the relief paid to the unemployed maintained their purchasing power to some extent.

With regard to public employment exchanges, it was difficult to see what useful purpose they served, even if they were to be developed as they had been in Germany, when there was no demand for labour and the labour market was overwhelmed with applicants for employment. In Germany, the situation was such that the main function of the public employment exchanges was to register the number of unemployed. Under such conditions, it was obvious that the establishment of employment agencies would not constitute a remedy for unemployment.

The memorandum seemed to attach particular importance to the question of the exchange of workers to be organised by a European Labour Exchange. It was, however, probable that by the time that the Labour Exchange was ready to operate, the worst of the crisis would be over. Even if it could begin its operations at the present moment, it was doubtful whether it would prove really efficacious. All the labour markets of Europe were besieged by the unemployed, and only if the scope of the Employment Exchange extended beyond Europe and covered the whole world would it be possible to hope for any practical results.

With regard to the question of public works as a remedy for unemployment, it had been suggested as an example that if the German railways equipped all their rolling stock with automatic couplings approximately 100,000 unemployed could be provided with work for a period of five years. Even if those figures were exact, it was difficult to see where the necessary financial resources could be found to carry out such a scheme, which would cost approximately two thousand million Swiss francs in Germany alone. The other proposals for public works, such as the construction of roads, would encounter the same difficulty. All those measures would only have provided a remedy if they had been planned before the crisis and not when it was at its height.

In the opinion of the workers' group, it was necessary to deal with another aspect of the problem—namely, that of production and consumption. On this point, the International Labour Organisation should endeavour to suggest some means of finding an equilibrium between the purchasing capacity of the masses and production. It was true that the Office was bound by the instructions given by the Unemployment Committee and approved by the Governing Body. It might perhaps have been advisable to have held a further meeting of the Unemployment Committee before the present session of the Governing Body in order that it might reconsider the question as a whole and put forward new proposals.

The workers' group was also of opinion that one of the most urgent problems at the present time was to reduce hours of work and to increase real wages in order to bring hours of work into harmony with the productivity of the workers. Such an increase would not imply an increase in nominal wages, but rather a decrease in the prices fixed by trusts and cartels, calculated to increase the purchasing power of the masses. Since that problem appeared to fall within the competence of the International Labour Office, it was desirable that it should be considered without delay.

Mr. WOLFE said that the British Government had no general observations to make on the memorandum of the Office. He agreed with M. Picquenard's suggestion concerning the conditions under which the proposal to set up an International Labour Exchange should be referred to the proposed sub-committee. It was essential in his view that, before such an organisation was contemplated, national systems of employment exchanges should exist in the different countries similar to those already existing in Great Britain and Germany. Until the different countries had set up a system of employment exchanges it was not possible to organise such a system on an international basis. The sub-committee should also carefully consider the question of cost.

As the British Government had not yet had time to consult the Dominions with regard to the question of immigration into oversea countries, it must reserve any observations on that point until a later date.

M. DE MICHELIS considered that the Office had carried out the work which the Governing Body had entrusted to it in the most careful and thorough way. He agreed with M. Yoshisaka that unemployment was a worldwide problem; but, though the Unemployment Committee was to continue to study it from a worldwide point of view, the only thing to be done at the moment was to consider what practical action could be taken to remedy European unemployment.

That action as proposed by the Office was made up of three elements. The first consisted of relief for the victims of unemployment by means of a system of compulsory insurance, as proposed in the resolution voted by the Governing Body at its last session.

Among the practical means of decreasing unemployment, the Office then suggested the organisation of an International Labour Exchange. M. de Michelis did not share M. Picquenard's apprehensions on this point. He had himself found that the greatest difficulty which existed in placing workers in foreign countries was the lack of knowledge of the conditions of the labour market in the countries to which the workers could be sent. The main thing was to ascertain the requirements in each occupation, so that the emigrants might be sure of finding remunerative employment. Not all countries were, however, equally well equipped for supplying or obtaining information of that kind. Thus, one of the most important functions of the proposed Labour Exchange would be the collection of information. It would need to be informed, so to speak, day by day of the labour requirements of the various countries. Such work could conveniently be undertaken by an international organisation. An institution of this kind could work all the better if it had the support of national employment exchange systems, but it was not necessary to wait until such systems existed in all countries before setting up an international labour exchange. Indeed, the establishment of an international exchange would probably promote the creation or development of national employment exchanges.

One question with which the future International Labour Exchange might deal, in addition to that of bilateral treaties to which the memorandum called attention, was that of individual or collective contracts which constituted the necessary passport for all workers going to foreign countries.

Difficulties would undoubtedly be encountered in the working of the labour exchange, and considerable preparatory work would have to be undertaken. Nevertheless, he thought that practical results could be obtained fairly rapidly in the organisation of the labour market.

In M. de Michelis' opinion it was impossible to separate the social from the economic aspect of the problem. The interdependence of economic and social phenomena was a fact which could not be ignored. Various attempts recently made in the specifically economic field had met with no success. For this reason, the Director's proposal to constitute a mixed committee in collaboration with the Commission of Enquiry for European Union appeared to be an excellent suggestion. All action taken to remedy unemployment should be of a concerted nature and should deal with the economic sphere as well as the social sphere. The proposal would admit of the creation of an international body working under the auspices of the League of Nations, but particularly in collaboration with the International Labour Office and with the International Institute of Agriculture.

Since the idea, put forward by M. de Michelis at the last session of the Governing Body, of adjusting labour to the requirements of the labour market had been accepted, it would be desirable that studies should be made on this aspect of the question and that the second idea which he had also put forward in the Governing Body, the question of colonisation and the remedies which it might afford to the economic disorganisation of Europe and of the world, should be taken into consideration.

He fully realised the difficulties which any practical action to combat unemployment was likely to encounter, but he felt that action must be taken without delay, and he strongly supported the proposals of the Office. He also supported M. Picquenard's proposal to widen the composition of the proposed sub-committee so that the Governments of countries of emigration and immigration should both be able to express their opinion.

M. JOUHAUX said, in the first place, in reply to M. Čurčin, that, as far as he was aware, no workers' organisations, in France at any rate, had ever taken any steps in order to obtain the expulsion of foreign workers. On the contrary, they had always opposed such a practice. If they had asked for certain measures of a national character regarding the movements of foreign workers on French territory, it was precisely to avoid the expulsion of foreign workers. He asked M. Čurčin to furnish the names of any organisations which might have asked for the expulsion of foreign workers.

M. Jouhaux shared M. Müller's regret that the memorandum of the Office on the question of unemployment did not deal more vigorously with that grave problem. There could, of course, be no question of finding a definite remedy for the whole unemployment problem, but simply of considering, with a view to Europe only, what immediate steps could be taken to provide some relief for those who were suffering from unemployment.

In this connection, he could not agree with M. Picquenard's criticisms. M. Picquenard had referred in particular to the bilateral treaties concluded by France in regard to the international exchange of workers. The French Government was about to enter into further treaties of a similar nature, but, even if such treaties were concluded between France and all countries of emigration, that would not constitute an international organisation. The question of bilateral treaties into which countries might enter to regulate the exchange of workers had no connection with the question raised in the Office memorandum.

It was obvious that the International Labour Exchange which it was proposed to set up could render great service. In the first instance, it would furnish statistics and collect information concerning the state of the labour market in the various countries and would thus fill a gap which existed at present. In addition to supplying information, however, it should do active work as

regards the placing of workers. M. Picquenard had pointed out in this connection that the International Labour Exchange could not do useful work unless a demand for labour existed. It was true that the demand was now very small, but not as small as was often maintained, even in countries where unemployment was prevalent. That was particularly the case in France where there was still a certain demand for agricultural labour, with the result that the National Economic Council had been obliged to allow certain exceptions for agricultural labour to the general rules governing the placing and distribution of foreign labour in France. Other countries were no doubt similarly situated. It was thus possible that, with the assistance of a European Labour Exchange, the international exchange of workers might be organised more easily and with greater effect. But measures of that kind could obviously not suffice, in present circumstances, to provide an adequate remedy for the unemployment crisis.

The establishment of an International or of a European Labour Exchange and the organisation of a programme of public works, as was suggested in the memorandum, would doubtless prove useful; but it was evident that, since the last session of the Governing Body, the unemployment crisis, even in Europe, had become more acute. It must not be imagined that, because certain industries for their own particular needs had engaged a larger number of workers, the crisis had reached its apex and that a general improvement was about to be realised. Under these conditions, it was necessary to enquire what were the real causes of the further aggravation of the crisis, and this was a point with which the Office memorandum might have dealt more fully. It was true, as the Director had pointed out, that the financial aspects of the problem, and, in particular, the question of Customs, did not fall within the competence of the Office. But the International Labour Organisation could not disregard the fact that the crisis was being aggravated as a result of the reduction of wages, which entailed a decrease in the consuming capacity of the masses in all countries. To reduce wages was an even greater mistake in time of crisis than in normal times. A study of the possibility of finding work for the unemployed showed that the demand for labour could only be increased by an increase in the consuming capacity of the workers. Even without going beyond the European aspects of unemployment, the Office could not fail to take this important factor into account.

Moreover, a careful study of the situation in the last few months showed, not only a decrease in the consuming capacity of the masses, but also an increased tendency towards national protectionism and of measures to reserve the markets of a country for its own national industries, which amounted in fact to economic war. The International Labour Office could not refrain from commenting on such a situation, which, if it continued, would render nugatory the efforts which were being made to remedy the crisis. It could not be maintained that these were questions for which the Governing Body was not competent, even if the deliberately calculated decisions which it had taken in the past had prevented the Director from dealing with the direct causes of the crisis and the remedies which should be applied. The Governing Body could not fail to realise that if, at the present moment, within a few days of the meeting of the Commission of Enquiry for European Union, it refused to face the problem by calling attention to the dangers of the situation, yet another failure would be registered; and that succession of failures was not calculated to inspire confidence in the masses. Unemployment was a painful reality, and practical solutions must be found for it. The two remedies proposed by the Office might be justified, and personally he was glad they had been suggested; but they could have no effective result unless something was done to combat the ultimate causes of the crisis.

The general question of unemployment would be discussed at the Conference; but the Commission of Enquiry for European Union would have met before then, and if it did not devise some means of bringing immediate relief to the unemployed of Europe, the discussions of the Conference would produce little effect on the minds of the workers.

M. LAEMMLE said that the unemployment situation as a whole continued to be extremely grave. Since January it was true that a slight improvement had been apparent on the principal Stock Exchanges; but, even if a new economic cycle were about to be inaugurated, no hope could be held out that the effect of the revival would make itself felt on the labour market for a long time to come. The immediate future, therefore, remained gloomy; the financial burden of unemployment insurance and relief of all kinds afforded to the workers was still very heavy, and might even be still further increased.

It was impossible to ignore the moral effect which the continuation of the crisis would have on the workers and, in particular, on young persons. These considerations had led the Committee set up in Germany to study the unemployment problem to propose that, during the crisis, hours of work should be reduced by law according to the varying conditions existing in the various branches of industry. The German Government had not yet taken a decision on this point; the main question was whether the reduction in hours of work would or would not be compensated by an increase in wages. If wages were not increased purchasing power would be lessened, and if they were increased, costs of production would rise, and competition would become more difficult. Either of these developments might be a fresh cause of unemployment. In any case, it was difficult for one single country to find a solution for so serious an economic problem, and it was unfortunate that the Governing Body had not been able at its January session to reach a more definite solution. It was possible that new points might be brought forward during the discussions at the International Labour Conference.

The memorandum submitted by the Office proposed a series of immediate remedies which it was not suggested would entirely eliminate unemployment, but which represented interesting practical suggestions. Different opinions might be held as to the immediate and practical effect of the proposed measures, and it might be asked, for example, how far the proposed Labour Exchange would contribute effectively to restore equilibrium in the labour market. The suggested programme of public works appeared to be a more satisfactory proposal, and it would be remembered that the German Government representative had already laid stress on this aspect of the problem at the January session of the Governing Body.

The importance of the Office proposals did not so much reside in their details as in the desire which they showed to quit the field of theoretical discussion and to deal with the practical aspects of the question. It was to be hoped that the Commission of Enquiry for European Union would also be inspired with a desire to find practical solutions.

Mr. SCHÜRCH said that, when unemployment had been discussed at the January session, the Committee's report had been criticised as being too theoretical, but, now that the new memorandum put forward concrete suggestions, it was criticised again. No illusions should be entertained as to the immediate realisation of the proposed solutions, but it was satisfactory that, on this occasion, practical proposals had been put forward.

Although it might be true that the unemployment crisis could only be finally solved on worldwide lines, that did not mean that measures which might be taken in Europe on a continental or national basis should be neglected. All possible measures which might result in a decrease of unemployment should be put into operation.

It had been suggested that the remedies put forward in the memorandum would encounter financial difficulties. That might be true for certain countries, but it could not be denied that sufficient capital was available in Europe to carry out the programme proposed by the Office. What was required was increased international confidence. It was possible that the sub-committee of three members which would be set up to collaborate with the Governing Body might be in a position to bring together the countries with capital available and those whose financial situation constituted a real obstacle. Finally, it might perhaps be well to add to the Director's proposal concerning the placing of workers and emigration the words "and in the colonies of European countries". There were, in fact, opportunities of finding work for unemployed persons in the colonies.

M. LAMBERT-RIBOT noted, in the first place, that the Director's memorandum contained certain rather theoretical formulæ, and that certain statements, with regard to which the Unemployment Committee in its report had made prudent reservations, were made in a much more definite manner in the memorandum.

That was, however, no reason why something should not be attempted; he had no objection to an endeavour being made to settle the question of equality of treatment of workers and steps being taken concerning finding employment, insurance and relief. The Employment Exchange would doubtless prove useful as a centre of information. But, contrary to M. Jouhaux's opinion, it would not seem desirable to entrust it with executive functions. It would doubtless be better to leave such measures to the bodies already in existence.

M. Picquenard had already admirably said all that could be said on that subject.

The memorandum also dealt with the question of public works, which were generally recommended as a remedy in normal times and still more so during a crisis, provided that they had been planned in advance. Two things were, however, necessary: they must be economically productive and also, before their international aspect was considered, they must meet the real and often urgent needs of certain national economies. It would seem difficult to take any steps of this nature on an international plan as long as an economic crisis existed in the various countries. Since it was essential that some practical action should be taken, the urgent needs of a certain number of European countries should be considered in order that means might be found to assist them. That was, in effect, the object of the League of Nations, the International Institute of Agriculture and the Committee which was at present meeting to study the question of setting up an International Institute of Agricultural Credit. The same applied to Industry. The public works which might be undertaken in certain countries might serve to improve the ground by irrigation or draining or to construct roads, railways, and so on.

It might be suggested that those were purely national necessities which should be dealt with in the usual manner. That was true in theory, perhaps, but it must be remembered what was at present happening as regards agricultural credit in countries in Eastern Europe. The credit of those countries was insufficient to enable them to obtain loans at reasonable rates of interest which would allow the work which they undertook to be profitable, and they could only obtain the credit they required if they could give guarantees that the work which they desired to undertake would really prove useful and profitable. If it was desired to assist them internationally, it was essential, in the first instance, to consider the general economic utility of the work proposed and to decide whether such work would provide sufficient security to allow the usual rates of interest demanded for such countries to be decreased by the action of international solidarity.

It should not be impossible to create such international solidarity, but in order to do so it would be necessary that international meetings of the kind proposed by the Director should decide on the utility of the proposed construction of waterways, roads and railways.

In the industrial sphere, works of this kind should find their place in the international arrangements through which production would gradually be organised in Europe and the value of which, in certain cases, might be greater than that of purely private arrangements. As regards electricity, for example, international solidarity might be displayed in favour of a particular country whose waterfalls had not yet been utilised. In the event of plans for the utilisation of water-power not being considered by the international advisory bodies as offering sufficient justification for financial assistance, it was of course obvious that attempts might yet be made to give effect to them, apart from the proposed scheme of collaboration, and it would no doubt happen that a country would not consent to become entirely dependent on a group of other countries.

Generally speaking, not many of the kinds of work referred to in the Office memorandum were, economically speaking, immediately practicable or profitable. As regards automatic coupling, for example, M. Müller himself had enquired where the necessary funds were to be found for its adoption, and in any case it was doubtful whether it would show any profit. As regards construction of roads, preliminary studies would first have to be made by the various countries in order to draw up schemes of work for which international credits would be necessary. Only then would it be possible, after comparing the schemes, to contemplate, as a last step, international action of the kind to which the Director referred.

The ideas which M. Jouhaux had put forward on the question of wages seemed to be an economic paradox. It was obvious that throughout the world an effort was being made to reduce the cost of production, not in order to reduce the purchasing power of the workers, but in order to allow consumers in general to purchase what they required under better conditions. M. Jouhaux had also referred to the question of Customs tariffs, which he regarded as a manifestation of economic war. But, in point of fact, Customs tariffs were a defensive weapon and nothing more. Moreover, the remedy for the present crisis was to be found neither in an increase nor in a reduction in Customs barriers, but in the conclusion of economic agreements, and as soon as such agreements were concluded, Customs questions would be found to be of secondary importance and would be easily settled.

M. KRUEGER said that, in his opinion, the only remedy for unemployment consisted in steps of an economic nature which, owing to their character, did not fall directly within the scope of the International Labour Organisation. The proposals of the Office were doubtless interesting, but he did not think they were of great practical value, for they did not take sufficient account of realities.

The real solution of the question was to be found in re-establishing the normal situation of the money markets. It was necessary, as the British Government representative had pointed out at the January session, to secure an adequate distribution of gold throughout the world. Unfortunately, the transfer of gold was only too often decided by political and not by economic considerations. This question obviously did not fall within the immediate scope of the Office, but it was nevertheless possible to call the attention of the Commission of Enquiry for European Union to the question, pointing out that, although the International Labour Organisation had no concrete proposal to put forward, it did not consider that a solution to the crisis could ever be found unless financial problems were solved on a sound economic basis.

It should further be remembered that, however important purely economic remedies might be, they were not sufficient. A profound change of heart was needed. Only a change of outlook would make possible the economic measures which were necessary to remedy so acute a crisis as that through which the world was passing.

He proposed that, if the memorandum were to be submitted to the Commission of Enquiry for European Union, it should be accompanied by an account of the discussion which had just taken place in the Governing Body.

M. SOKAL proposed that the Governing Body should adopt the following solution:

“ Since it seems probable it will be materially impossible for the Commission of Enquiry for European Union to consider the question of unemployment at its May session:

“ The Governing Body authorises the Director to submit the memorandum on unemployment to that Commission in his own name as a preliminary document, and decides, at the same time, to place the question of unemployment on the agenda of one of its next sessions.”

The May session of the Governing Body would be a very short one, and the discussion would therefore probably not be resumed until the October session.

M. LAMBERT-RIBOT supported M. Sokal's proposal, and requested that the memorandum should be submitted to the Commission of Enquiry for European Union as a document prepared by the Office and should be accompanied by the Minutes or an analysis of the discussion which had just taken place in the Governing Body in order that the League of Nations might realise the great interest which the Governing Body had taken in the question.

Mr. KIRKALDY said that, since an account of the discussion was to be attached to the memorandum, he wished to state that, in his opinion, the proposals concerning automatic coupling were premature while that subject was under consideration by a Committee of the Governing Body.

The DIRECTOR said that the memorandum which he had prepared for the Commission of Enquiry for European Union had been criticised by various members of the Governing Body on opposite grounds. He would remind the Governing Body in what spirit the memorandum had been drawn up. He had endeavoured, in this case as in all others, to see that the Office did what it had been instructed to do. It had been instructed to lay before the Commission of Enquiry for



European Union practical proposals on subjects which fell directly within the competence of the Office and which were of a specifically European character. The two proposals which appeared as the conclusion of the memorandum exactly corresponded to those conditions. The reason why he had not dealt with the questions which M. Jouhaux and M. Lambert-Ribot would have wished to see discussed was that the Unemployment Committee had excluded them from the positive and unanimous conclusions of its report. He intended to deal with them in his report to the Conference, where the discussion would be resumed on general lines. He had not felt able to bring them to the notice of the Commission of Enquiry for European Union because they did not lead to solutions which were practical in their application and European in scope.

Practical solutions were not necessarily solutions which could be applied immediately, or would be immediately effective. For the "European Labour Exchange", a period of organisation would be necessary. Its existence would not mean that unemployment would cease all at once. The Director had pointed this out more than once in his memorandum. It had been said that the European Labour Exchange would be more useful to combat endemic unemployment than that resulting from the crisis. But unemployment of the former kind co-existed with and aggravated the latter, and there thus seemed reason to hope that the establishment of a European Labour Exchange would produce appreciable results. Further, the difficulties which workers in certain occupations experienced in periods of crisis, and even in normal periods, in going abroad to complete their training, as well as the controversies which arose between one country and another concerning foreign workers who were expelled or who could not be admitted, should also be taken into account. If the Commission of Enquiry for European Union set up the mixed sub-committee, which the Director had suggested, and which might be enlarged, a first step towards the settlement of all these problems would have been taken.

As regards the programme of international public works, too much importance should not be attached to the definite schemes which he had mentioned. They had only been given as examples. Incidentally, he had not invented them; they had been suggested in certain publications. He had not said the time was ripe for them; the extent to which they were expedient or immediately practicable was a matter for consideration. Here, again, the main point was the proposal to set up a sub-committee of the Commission of Enquiry for European Union, on which the International Labour Office might be represented for labour questions. The sub-committee could be asked to consider the whole question of public works, international public works or national public works assisted by international credits. The Director had anticipated his critics by pointing out in the memorandum that such works should be economically profitable. The question which the sub-committee would have to consider, if it were set up, was whether there would not be great difficulty at the present time in finding international credits for national public works.

The main thing about the suggestions made in the memorandum was, in his view, that they were practical, even if not immediately effective. They provided a definite basis on which to work, and to try to create something of a European spirit. It was for the Commission of Enquiry for European Union to consider them with that aspect in mind.

He saw no objection to the procedure proposed by M. Sokal, according to which his memorandum would be sent to the Commission together with an account of the discussions on it which had taken place in the Governing Body.

M. JOUHAUX pointed out that what he had said concerning the reduction of hours of work was not inspired specially by his desire to find a remedy for the present crisis, but was based on a general principle.

He wondered how the two proposals contained in the memorandum would be received. It might perhaps have been desirable, since the memorandum was in any case to be submitted to the Commission of Enquiry for European Union, that the Governing Body should have expressed its agreement in principle with the proposals.

M. PICQUENARD, in order to reach an agreement, proposed that M. Sokal's resolution should be confined to a simple decision taken by the Governing Body to submit the Office memorandum with the Minutes of the discussion which had just taken place in the Governing Body to the Commission of Enquiry for European Union. It was, in his opinion, unnecessary to refer to the fact that the Committee might be unable to consider the question of unemployment at its May session. It also seemed unnecessary to point out that the question was still on the agenda, since it was obvious that the question of unemployment would be one of the most serious preoccupations of the Governing Body of the International Labour Office as long as the crisis continued.

M. SOKAL accepted M. Picquenard's proposals.

The DIRECTOR, in reply to M. Jouhaux, pointed out that, if the Governing Body had been able to discuss the two proposals contained in the memorandum thoroughly, it might have been able to state its opinion on them. If the Commission of Enquiry for European Union thought they were likely to lead to useful practical collaboration, it could make proposals for action, and the Director could bring them before the Governing Body.

*The Governing Body, by sixteen votes to nil, instructed the Director to transmit the memorandum on unemployment to the Commission of Enquiry for European Union, together with the Minutes of the discussion which had taken place in the Governing Body.*

(The session closed at 8.30 p.m.)

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INTERNATIONAL LABOUR OFFICE.

Report of the Unemployment Committee.

TEXT AMENDED AND ADOPTED BY THE GOVERNING BODY AT ITS FIFTY-FIRST SESSION,  
GENEVA, JANUARY 1931.

I.

The Committee, which is greatly concerned at the increasing gravity of the unemployment problem and its consequences, both from the humanitarian and social point of view and from the point of view of the world economic situation, considers it indispensable to study the causes thoroughly and to try to find remedies capable of practical application.

Considered as a whole, this exceptionally grave unemployment appears to be the cumulative effects of economic and financial disturbances likely to affect more especially certain countries and certain industries. Among these disturbances, there are some which recur with a certain regularity while others have been introduced into the economic system of the world after the war-time and post-war upheavals.

Without wishing to make either a complete or a systematic enumeration, the Committee, desirous of showing the complexity of the problem, draws attention to the following factors which, rightly or wrongly, are often considered as causes of unemployment:

(a) Excessive production of certain agricultural products said to result partly from exceptionally good harvests and partly from an increase in the amount of cultivated land due to faulty estimates of the demand, which is sometimes diminished by under-consumption, leading to inability to sell, to a decrease in the purchasing power of the rural population and consequently to a contraction of outlets for industrial products;

(b) The maladjustment between the production of certain industrial products, such as raw materials and the industrial equipment, and the markets' power of absorption;

(c) The alleged inelasticity in the links whereby effectively purchasing power, as expressed in currency and credit, is held by some to be connected with the world's available gold supply and to have been a factor in the unprecedented fall in world prices;

(d) Lack of confidence which is often said to be the cause of an inadequate distribution of gold, of an imperfect circulation of capital and a restriction in the granting of credits and which by preventing the financing of countries which are in need of capital and the development of the purchasing power of consumers is said to have made it impossible to restrict the fall of world prices;

(e) The fall in the price of silver which is said to have brought about a considerable decrease in the purchasing power of countries whose currency is based on that metal, a purchasing power already reduced by the political conditions in some of those countries;

(f) Too high a cost of production in certain countries as a result of physical, geographical or other conditions;

(g) The disturbances in international commerce caused not only by the development of new industrial areas but also by artificial barriers put in the way of international trade and by the difficulties said to be associated with the problem of political debts;

(h) The difficulties in the way of adjusting movements of population to the possibilities of exploiting the resources of the world;

(i) The disorganisation of the labour market caused by the extra-rapid development of labour-saving machinery and of the process of rationalisation.

II.

These various causes of unemployment, which are in some cases generally admitted and sometimes the subject of controversy, should be thoroughly studied with a view to bringing out their real importance as well as the importance of methods suitable for mitigating them. These investigations will be carried out by the International Labour Office in co-operation with the League of Nations, experts and other organisations being consulted, if necessary, so as to show in a systematic form the known elements and factors of unemployment. The Committee urges, however, that the International Labour Organisation should immediately strive more than ever, with the help of the employers' and workers' organisations represented in it, to induce Governments to take all immediately practicable steps to preserve the world of labour from the consequences of unemployment.

The Committee therefore desires that the attention of Governments should be called with insistence to the following points:

(a) The need for the organisation of the labour market by public employment exchange services which should collaborate as effectively as possible in the drawing up of systematic schemes

for the re-employment of the unemployed and the re-adaptation, if necessary, of discharged workers to the technical requirements of production

(b) The need of developing existing systems of relief and insurance against total unemployment and short-time and the creation of insurance systems where they are not yet in existence, with the means necessary to ensure that they are immediately financed by advances from the State, every effort being made to adapt them to the essential needs of the workers without interfering with the re-employment of the workers in industries capable of activity either at home or abroad.

(c) Undertaking extensive public works of national utility in accordance with programmes previously drawn up and at the same time expanding orders for supplies, so as to counteract the effects of the temporary falling-off of activity in private enterprise; the possibility of Governments coming to an agreement through the appropriate organs of the League of Nations with a view to joint execution of extensive public works of an international character;

(d) International co-operation which will make possible the free movement and placing of men in unexploited regions capable of utilising their activity, and with a view to increasing markets;

(e) The development of suitable methods for ensuring co-operation among the different national economic systems.

### III.

With regard to the measures to be taken on the subject of the length of the working day or week and the remuneration of labour, in relation to unemployment, the Committee takes note of the fact that the representatives of the employers and workers hold different opinions at the present time.

The representatives of the workers, while maintaining their demands in connection with the forty-hour week, ask for:

(a) A reasonable shortening of the working day or week, taking into account the increase in output obtained by improved methods of production;

(b) Seeking suitable means of raising the remuneration of labour in countries where it is most inadequate at the present time with a view to eliminating one factor of unfair competition and to increasing the consumptive capacity of certain markets, without neglecting the development of social insurance which preserves a certain power of consumption to workers prevented from earning their living by causes beyond their control.

The employers consider, on the contrary, not only that the measures suggested by the workers would be of no avail, but that they would produce most serious disturbances. They are convinced, on the other hand, that one of the essential measures to be adopted in the effort to restore economic equilibrium should be a reduction of the cost of production and the expenses of distribution so as to enlarge markets by increasing the purchasing power of the whole body of consumers.

As a result of this difference of opinion the Committee invites the Office to pursue its investigations in order to lead at a later date, if possible, to a narrowing of the gap between the two points of view and to positive action.

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Geneva, May 14th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION.**

**ECONOMIC DEPRESSION.**

*Note by the Secretary-General:*

The Secretary-General has the honour to communicate to the Members of the Commission a brief review, prepared by the Secretariat, of the world economic depression, with special reference to Europe. This document is submitted to the Commission in accordance with Resolution No. VI, adopted at its January meeting, requesting the Secretariat to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation on this subject.

**REPORT ON ENQUIRY INTO COURSE AND PHASES OF THE PRESENT  
ECONOMIC DEPRESSION.**

**INTRODUCTORY NOTE.**

The Commission of Enquiry for European Union, at its last meeting, requested the Secretariat of the League of Nations to "acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly".

The relevant passages of the resolution of the Assembly to which allusion is made read as follows:

"The Assembly . . . resolves that the Economic and Financial Organisation of the League . . . should undertake the study of the course and phases of the present depression and the circumstances which led up to it, and for this purpose it should collect the information compiled by institutions already in existence in different countries, centralise such information and, where necessary, fill up any gaps that exist.

"It also recommends that, in connection with these investigations, account should be taken of the results of the enquiry conducted by the International Labour Office into unemployment and the work of other competent international bodies on this subject, in order that the Economic and Financial Organisation, having collected all the available information, may examine at the right moment the advisability of international action, due regard being had to the economic, financial and demographic aspects of the labour problem, including the question of raw materials."

In execution of this recommendation, the following action has been taken. A document setting out the plan of procedure proposed was submitted to and approved by both the Economic Committee and the Financial Committee.

A meeting was held on March 2nd of representatives from a number of the national institutions alluded to above. At this meeting, the general plan or outline of the report to be prepared was agreed, and a number of the institutions further undertook to prepare brief special notes as material for this report. These notes are to be drafted on an approved scheme, and should reach the Secretariat during the course of the present month. The question will further be discussed by the Economic Consultative Committee when it meets.

It is proposed to hold a further meeting of national institutes in the early summer and to submit a report to the Assembly in September next.

It will be observed that the Economic and Financial Organisation, according to the last part of Resolution 16 of the Assembly quoted above, is to examine into the advisability of international action concerning unemployment when all the available information has been collected. In accordance with this instruction, the Economic Committee decided to consider this question when the definitive report on the course and phases of the present economic depression is ready.

In view of the fact that the final report will not be finished for some months yet, it has been thought that the Commission of Enquiry for European Union might desire to have laid before it a brief preliminary note on certain aspects of the present depression. It should be made clear that the attached note on this subject is essentially preliminary in character, and has been drafted before either the study of the information available or the consultations envisaged have been completed. It has been drafted, moreover, with special reference to European conditions. The depression is, however, worldwide, and it was impossible to confine the report strictly to Europe.

## I. THE ECONOMIC SITUATION IN 1928.

### (a) *Economic Progress up to 1928.*

The war and the political changes and disturbances immediately following it affected in many ways the basic conditions of economic life. State debts had been enormously increased, new frontiers had been created. Russia had changed its economic and social system, the United States of America, from being a debtor, had become a credit nation, second in importance only to Great Britain. New industries had been built up in overseas countries, while in Europe an enormous destruction of capital had taken place. These and other new conditions called for a profound readjustment of the whole economic life. The necessary adaptation was, to a large extent, effected during the first five or six years after the war, but it could not be completed in so brief a period of unsettled years. At the beginning of 1925, the monetary systems of a number of European countries were still disorganised. Inflation continued in some countries, while others pursued a more or less deliberate policy of deflation. But, in view of difficulties which had to be faced, the degree of "normalisation" and balance in economic life obtained by 1925 or 1926 was perhaps more complete than might have been expected.

Indeed, this period of recovery laid the foundations for a world economic progress of a rapidity which had perhaps never before been witnessed. In the three years 1925 to 1928, the output of foodstuffs and raw materials increased by 8 per cent and the quantum of world trade by about 15 per cent. It is probable that the output of manufactured goods rose at least as fast as that of raw materials—*i.e.*, 9 per cent.

The progress was especially rapid in Europe. The increase in the production of raw materials on that continent was second only to that of South America, while the production of raw materials and foodstuffs taken together advanced more rapidly in Europe than in North America, Africa or Asia. Further, there is reason to believe that the activity in manufacturing industries increased at a higher rate in Europe than in other continents.

During these three years from 1925 to 1928, the readjustment of economic life to the new conditions continued. Almost all countries which had not already done so placed their currency on a gold basis, thus eliminating violent exchange and price fluctuations. Equally important is the fact that international capital and credit transactions on a commercial basis, as distinguished from State borrowings, reached large dimensions. British, American and French capital—to some extent also capital from Sweden, Switzerland and the Netherlands—flowed into the countries suffering from a shortage of capital on the Continent of Europe and elsewhere, making possible rapid readjustment and reorganisation of industry and trade. In 1928, the net foreign lending of capital-exporting countries amounted to about \$2,300 millions, of which a little more than 40 per cent went to Germany. Indeed, a casual observer of world economic conditions in 1928 might well have come to the conclusion that everything was, if not well, at least improving rapidly, and that the prospects for the future were, in most countries at any rate, rather reassuring than otherwise. It is true that unemployment figures were in most countries substantially higher than before the war, but this was partly due to more complete and reliable statistics; it was partly due to the first effects of the process of rationalising industry, though in some countries the causes were more profound.

### (b) *Maladjustments in Production and Trade.*

But, in fact, the position was much less stable and balanced than it appeared. It is quite possible that the impression of "normality" was to a large extent due to the fact that certain of the readjustments which new and profound changes in the structure of economic relations called for had not been made. Thus, so long as a tendency to partial over-production is met by increasing stocks the day when a troublesome shift in production has to be made is put off. In the case of many commodities this is what happened, stocks growing to unusually high levels.

A second factor which helped to conceal the elements of maladjustment in 1928 is the fact that in several countries, especially in the United States, business was enjoying a boom similar

to those experienced during pre-war business cycles—e.g., in 1899 and 1906. This boom exercised a certain stimulating influence in other countries. The maladjustments in industries producing raw materials and manufactured goods did not make themselves fully felt so long as this state of exceptional demand lasted.

It may be convenient to review, first, the maladjustments in the production of crude food products and to begin with cereals. Here a tendency to over-production was evident in 1928. Supply tended to rise rapidly under the influence of several different factors. First, the technical improvements in the production of cereals in the last two decades, although not subject to so much newspaper discussion as the so-called rationalisation in manufacturing industries, had been no doubt of far-reaching importance. Farmers were better educated and used better methods of cultivation than before the war. The quality of the plants and the methods of fertilisation had been improved owing to a more lavish and well-balanced use of artificial fertilisers. In many countries the use of tractors, motor-harrows and ploughs and combined harvester and threshing machines had increased rapidly. The number of tractors in the United States of America was almost trebled between 1920 and 1928.

These changes tended in certain cases to increase the output of cereals on land already under cultivation, in others to make possible and profitable the cultivation of new land. The shortening from 130 to 100 days of the period required for wheat to mature had moved the northern frontier of wheat cultivation in Canada 200 miles north. Further, the cultivated area had already grown in the overseas countries during the war owing to the insistent demand from Europe. It is no wonder, therefore, that the output of cereals expanded rapidly in several of these countries. In Canada, the average for the years 1924 to 1928 was 433 million bushels, as against 197 million bushels in the period 1909 to 1913. In the Argentine, the corresponding figures were 250 and 147; in Australia, 144 and 90, and in the United States of America, 841 and 690 million bushels. Although the production of other cereals grew less rapidly, the total output of all cereal foods was certainly increasing considerably faster than the world population.

The tendency towards increased supply of cereals available for human consumption was strengthened by the fact that the number of horses in the world was reduced, their place being taken by motor-cars and tractors. Further, live-stock was fed relatively less on cereals and more on oil-cake, etc.

While production increased, for the reasons indicated, chiefly outside Europe, countries in Europe gradually restored their acreage under corn. After 1925, when the pressure made itself felt, tariffs, which at that date were generally lower than in 1913, were gradually raised, and in some cases export bounties were granted. These measures, which were intended principally to give economic assistance to the farmers, had the unfortunate effect of increasing output of the very goods—cereals—for which the tendency towards over-production was stronger than for most other food products.

During the period in question, not only supply but also demand did, of course, rise. Population continued to grow, although less rapidly than before the war. However, the consumption per head did not, on the average, increase. On the contrary, in the United States and several other countries the consumption of bread per individual declined as the standard of living rose and less muscular effort was needed in work. People needed less calories and could afford a more varied diet. According to a recent unofficial estimate,<sup>1</sup> which does not claim to be more than approximate, there was a reduction in wheat consumption per head between 1909-1913 and 1925-1928 of 5 to 6 per cent in Germany and Great Britain, 10 to 11 per cent in France and over 14 per cent in the United States.

The result of these changes was, as already indicated, a tendency to over-production of cereals. In 1928, this tendency was beginning to have its effects. Cereal prices were about as high in relation to the pre-war level as those of goods in general, but the trend of prices was downwards and stocks were rising. The good crop of 1928 brought the carry-over of wheat in December up to as much as 15.8 million tons, compared with 8.8 million tons three years earlier. Incomes of farmers naturally began to fall, which was all the more serious, as they had not, like incomes derived from manufacturing industries, been rapidly rising since the war. The financial position of many farmers was weak. In some countries money had been borrowed when its value was lower than in 1928, and in others the rate of interest was several times as high as before the war, two circumstances which contributed to weaken the financial position.

The situation was quite different as regards animal foodstuffs. Consumption of meat, butter, eggs and cheese grew rapidly as general purchasing power rose. Production increased also, but it was less affected by technical changes and artificial stimuli than the output of cereals. Prices

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<sup>1</sup> *Bulletin of the National Bank of Czechoslovakia* (January 1931, Supplement).

in the period 1924 to 1928 were relatively higher than for cereals, and the economic position of farmers in countries specialising in animal foods was relatively favourable.

Sugar was subject to tendencies similar to those described for cereals. Rapid technical improvements in countries producing cane sugar, especially Java, led to a great reduction in costs and an increase of output to almost double the pre-war figures. In many European countries, beet-sugar production became unprofitable, but was maintained by various forms of duties and State subsidies. The tendency to over-production was very obvious in 1928, and prices were falling.

Among the leading colonial products, tea held a special position, its price being relatively high, in spite of a substantial increase in production. For cocoa and coffee, on the other hand, the tendency towards over-production was strong and prices showed a downward trend. Coffee stocks were accumulating rapidly, and the outlook for countries dependent largely on the coffee crop was clearly unfavourable.

Table I. — Stocks of Certain Staple Food Products.

Commodity	1924	1925	1926	1927	1928
Wheat <sup>1</sup> (bushels, 000,000's) . . .	192.2	139.3	145.7	181.1	227.5
Sugar <sup>2</sup> (long tons, 000's) . . .	2,708 <sup>3</sup>	3,709 <sup>3</sup>	3,634	4,062	4,271
Coffee <sup>2</sup> (bags, 000's) . . . . .	9,663 <sup>4</sup>	9,547	10,901	18,388	18,723 <sup>5</sup>

<sup>1</sup> August 1st.

<sup>2</sup> January 1st of following year.

<sup>3</sup> Exclusive of interior stocks in Cuba.

<sup>4</sup> July 1924.

<sup>5</sup> Including 585,000 bags in the interior of Rio de Janeiro. Figures for stocks in this district were not available for earlier dates.

Sources: Wheat, "Wheat Studies", Stanford University.

Sugar and Coffee, London and Cambridge Economic Service.

Thus, it would appear that tendencies towards over-production of cereals, sugar and certain colonial foods were evident, especially after the good harvest of 1928.

In the case of raw materials, the position was less clear. In many countries at any rate—the United States may be an exception—the prices of raw materials had been relatively low compared with those of manufactured goods during the whole period since the post-war slump of 1920–21. During the years immediately preceding 1928, however, this price discrepancy has been reduced. If for the majority of the producers of raw materials prices covered the costs of production, this price discrepancy would constitute no proof of over-production. Moreover, the reduction in the discrepancy would suggest that, in so far as it was an indication at all, the risk of over-production was gradually diminishing up to about the end of 1928. However, in the light of the subsequent experience it is evident that, for certain raw materials, there was already a tendency for production to exceed the demand. The following table showing the growth of stocks illustrates the tendency towards over-production which existed in certain cases.

Table II. — Stocks of Certain Staple Raw Materials.<sup>1</sup>

Commodity	1924	1925	1926	1927	1928
Lead <sup>2</sup> (long tons, 000's) . . .	78	93	113	139	144
Rubber <sup>3</sup> (long tons, 000's) . .	181	182	259	272	239
Cotton (bales, 000's) . . . . .	2,758	3,274	5,440	7,471	5,015

<sup>1</sup> Lead and rubber: end of year. Cotton: stocks on August 1st.

<sup>2</sup> United States of America.

<sup>3</sup> Total supply outside plantations.

Sources: London and Cambridge Economic Service, Special Memorandum No. 32.

The increase in output and stocks of these raw materials was accompanied by a fall in price. Even in the case of some raw materials which did not fall in price, there may have been some tendency towards over-production. Had this not been so, prices of raw materials might have been expected to rise during the boom period. It seems impossible to escape the conclusion that, in respect of the production of certain raw materials, as also of certain crude food products, forces



were at work—forces which had very little to do with the disturbances caused by the war—which were bound to create a serious maladjustment as soon as the policy of increasing stocks broke down.

Table III. — World Smelter Production.

(Metric tons, 000's omitted.)

Commodity	1925	1926	1927	1928	1929
Copper . . . . .	1,418	1,485	1,551	1,756	1,981
Tin . . . . .	150	152	163	185	195
Lead . . . . .	1,560	1,654	1,760	1,755	1,802
Spelter . . . . .	1,133	1,219	1,307	1,406	1,459

Source: League of Nations, *Statistical Year-Book*.

The maladjustment in the manufacturing industries was of a somewhat different nature. It, too, was obscured by the business boom. Technical changes were taking place rapidly, increasing the capacity of production in almost all lines of industry and calling for a deep-going readjustment. It is now evident that this readjustment—*e.g.*, the necessary transfer of labour from one industry to another or the closing down of obsolete and superfluous factories—was only partly carried out.

To the surplus capacity in certain manufacturing industries, due to the above-mentioned circumstances, must be added one of another sort if a true account is to be given of the situation in 1928. The establishment of new national frontiers and tariff barriers after the war had made it difficult or impossible for many manufacturing firms to sell in their former markets. In all European industrial countries certain industries were left with a surplus capacity due to the erection of new tariffs and the raising of the old ones.

A similar development took place already during the war as between Europe and the overseas countries and continued afterwards. Cut off from European supplies, these countries developed their own manufacturing industries, and demand for European goods was thereby restricted. This was felt, above all, by Great Britain, which had organised its industry for a large export to these countries. Even by 1928, complete adjustment to these new conditions had not been accomplished.

Finally, a maladjustment in the relation of the price and wage-levels in certain countries to those in other countries still existed. Thus, Great Britain and Italy had returned to the gold standard at a somewhat higher rate than that which corresponded to their interior price- and wage-levels. The corresponding deflation of domestic values proceeded very slowly, and does not seem to have been finished in 1928. On the other hand, domestic prices and wages in France and Belgium were still relatively low, expressed in gold.

In view of these circumstances, and the lack of balance which they reflect, any factors tending to weaken the force of general industrial activity might be expected to have a more far-reaching effect than they would have had in a better balanced economy.

## II. THE TURN OF THE BUSINESS CYCLE IN 1929.

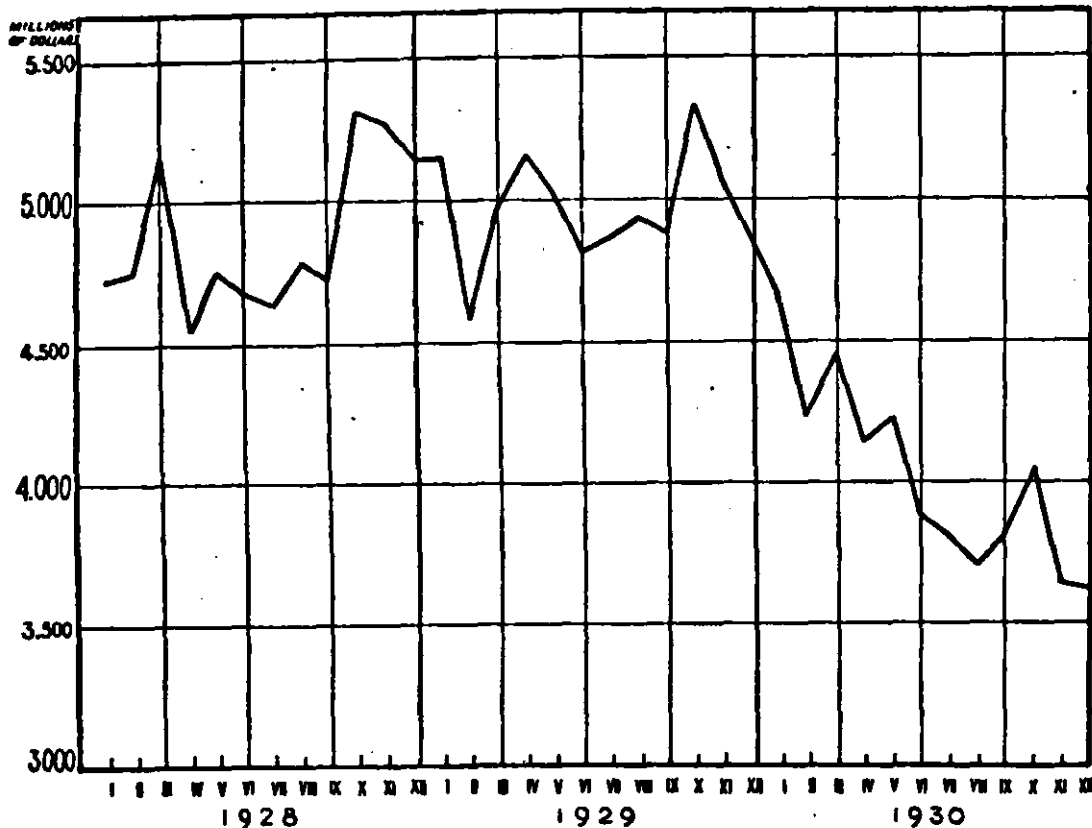
Profound changes in the technique of production, in commercial policy or in the politico-economic structure are usually regarded as being of a different kind from those which are involved in the so-called business cycle—*i.e.*, the recurrence at fairly regular intervals of alternating periods of prosperity and depression. A failure to adapt industry and trade to the former changes is, therefore, often called "structural maladjustment" as distinguished from the maladjustments arising out of the business cycle, with its recurrent booms and depressions. As indicated above, tendencies towards a structural maladjustment had been at work during the years immediately preceding 1929—in some cases they date from many years back—but their existence had to some extent been concealed or forgotten, and their effects partly offset by the business cycle boom in the United States and elsewhere, which exercised a stimulating influence on the world economic situation in general. It is natural that the turn of the business cycle and the beginning of a business cycle depression should open the doors for the delayed effects of the structural maladjustment. This is what happened in 1929 and 1930.

Not all countries experienced a clearly marked business cycle. The boom was accompanied by—perhaps partly caused by—a great expansion of credit. Many countries succeeded in escaping the extreme speculation which was experienced in the United States in 1928-29. Further, in some countries, unfavourable circumstances, of which some have been mentioned above, had been so potent that the upward swing of business was restrained or retarded. In other countries—for

instance, in Germany and Finland—a falling off in business had made itself felt in the beginning of 1928, largely under the influence of credit stringency; while, in certain countries producing and exporting crude food products and raw materials, business in general felt the depressing effects of the heavy drop in the prices of their export goods.

It was in the early autumn of 1929 that the decisive turn came when the boom broke in the United States and gave place to a severe depression. Up to that time world trade and probably world production was expanding; since then they have been rapidly declining.

THE VALUE OF THE INTERNATIONAL TRADE OF FORTY-FIVE COUNTRIES.



It is neither possible nor necessary to enter here upon a discussion of the various opinions held about the causes of the recurrence of business cycles in general or of the explanation of the turn of the cycle in the United States in 1929. It is more important at the moment to consider, not why a business depression followed upon the boom, but why that depression should be as intense and widespread as it is.

The answer to this question is partly given above: A delayed adjustment to the new structural conditions had to be made. Moreover, the existence of a profound structural maladjustment made the situation unstable and lessened the power of resistance to disturbing and depressing tendencies, more or less connected with the business cycle. An account of the course of events will bring this out more clearly.

During the twelve months before the crash on the New York stock market in October 1929, speculation in shares and real estate was growing more and more intense. Attempts by the Federal Reserve authorities to stop it failed. Money rates on the New York money market rose to exceptional heights. In the first nine months of 1929, call-loan rates averaged 8 to 9 per cent. They rose on occasion as high as 20 per cent. As a consequence, American lending abroad began to fall off and some of the money invested in other countries was called back. At the same time, European funds were transferred to New York, in order to profit from the high interest rates or to take part in the speculation. Money markets in Europe and elsewhere became stringent, discount rates were raised and credit in general was restricted. The effects were, of course, felt most severely in the borrowing countries, which had adapted their economic life and international economic relations to an inflow of foreign capital that was now suddenly checked. Unfortunately, a number of these borrowing countries—the Argentine, Brazil, Australia, Hungary, Roumania and others—were largely exporters of those food products, the prices of which had in previous months been subject to a heavy decline. Thus, in these countries, the supply of foreign exchange fell off for a double reason, and great difficulties in balancing their international accounts arose. The effects of the consequent credit restriction was that large stocks of staple commodities, such as coffee, wheat, etc., were thrown on the market. Potential buyers, however, under the influence of falling prices, restricted credit, and falling stock markets were reluctant to buy, thus further aggravating the fall in the prices of crude food products.

Table IV. — World Market Prices of Crude Food Products.

Commodity	Beginning of month		
	September 1929	December 1929	March 1930
Wheat <sup>1</sup> . . . . .	128 <sup>7</sup> / <sub>8</sub>	124	109
Maize <sup>2</sup> . . . . .	36s. 1d.	29s. 6d.	24s.
Coffee <sup>3</sup> . . . . .	16 <sup>1</sup> / <sub>4</sub>	10 <sup>1</sup> / <sub>4</sub>	10 <sup>3</sup> / <sub>4</sub>

<sup>1</sup> Winter in Chicago, cents per 60 lb.  
<sup>2</sup> Yellow Plate in Liverpool, shillings and pence per 480 lb.  
<sup>3</sup> Rio No. 7 in New York, cents per lb.

Source: *International Year-Book of Agricultural Statistics, 1929-30, Rome.*

At the same time, the situation of manufacturing industries grew worse with the advance of the business cycle depression, in particular, after the crash on the New York Stock Exchange in October 1929. As always happens in such cases, traders and manufacturers reduced their purchases of raw materials, preferring to lower their stocks and buy only from hand to mouth. This curtailment of demand naturally led to a fall in the prices of raw materials also, which became all the more severe as a result of the widespread uncertainty and pessimism which prevailed.

Table V. — World Market Prices of Certain Raw Materials.

Commodity	September 1929	December 1929	March 1930
Copper <sup>1</sup> (standard cash) . . . . .	75.4	68.4	69.3
Tin <sup>1</sup> (standard cash) . . . . .	204.9	179.5	165.0
Lead <sup>1</sup> (soft foreign loco) . . . . .	23.6	21.5	18.8
Wool <sup>2</sup> (tops, English carded, 50's average) . . .	25.1	23.9	18.6
Rubber <sup>2</sup> (standard ribbed smoked sheet) . . . .	10.5	7.9	7.5

<sup>1</sup> £ per long ton, London.  
<sup>2</sup> Pence per lb.

Source—*Kommersiella Meddelanden, Stockholm.*

The mutual actions and reactions of the so-called structural maladjustments and the business cycle recession on one another are difficult to ascertain, but events would appear to have taken some such course as the following. A partial over-production of certain crude food products—wheat, coffee, etc.—led to a drop in their prices and in the incomes of many overseas and Eastern European countries towards the end of 1928 and in the following year. So long as considerable expansion of business and incomes took place in the manufacturing countries at the same time, the world price-level was largely maintained. When, however, incomes in the United States and several other manufacturing countries began to decline rapidly, the offsetting tendency disappeared. Consequently, the expected world income was reduced both in agriculture and in manufacturing industries. Potential buyers acted on the assumption that they would have less purchasing power than usual in the near future and restricted their purchases. In that way, the surprisingly heavy decline of the general price-level became possible. As it proceeded, not only crude food products but also most raw materials fell rapidly in price. Demand for raw products falls off more than consumption during the first period of a depression, as manufacturers and middlemen are anxious to reduce their stocks. Owing to this price reduction, the incomes of primary producers further declined.

The prices of manufactured commodities sank less rapidly, and in consequence, the incomes of the producers of primary commodities declined more rapidly than those of industrial communities—for instance, in Western Europe. The latter, however, could not but feel the effects of a reduced demand from countries dependent upon the sales of primary products. Output of manufactured goods was reduced and unemployment grew to appalling figures.

This difference between the rate of the fall in prices of primary commodities and of manufactured articles respectively is a common characteristic of all economic depressions, and is due, amongst other reasons, partly to the fact that larger stocks of raw materials than of manufactured articles are normally held, and partly to the fact that the agriculturist cannot curtail his production so rapidly as can the industrialist.

It is probable that some business recession would have come in 1929 and 1930, even had there been no structural maladjustments of the sort described above. On the other hand, even in the absence of a business cycle, a difficult and troublesome readjustment to the new conditions of technique, demand, tariffs, etc., would have had to take place, and this readjustment would

have adversely affected business conditions in most countries, at least in 1929 and 1930. It was the simultaneous occurrence of the two kinds of disturbance to which the severity of the depression must be largely attributed. Facts of particular importance would seem to be that international capital movements were completely changed in 1929, and that the countries most sensitive to this change were those which suffered most from the drop in price of important commodities.

While a severe depression in 1930 would seem to have been the inevitable outcome of these circumstances, it does not follow that a decline in the wholesale commodity price level to anything like the actual figures was inevitable.

Table VI. — *The Wholesale-Price Level in Certain Countries.*  
(1913 = 100).

Country	1928	1930	February 1931
United Kingdom (Board of Trade) . . . . .	140.3	119.5	106.2
United States of America (Bureau of Labour Statistics) . . . . .	140.0	123.6	108.1
Germany (official) . . . . .	140.0	124.6	114.0
France (official) . . . . .	126.3	108.7	97.8

Source: *League of Nations Monthly Bulletin of Statistics.*

The reasons for this unusually severe drop in prices, which has undoubtedly aggravated the crisis, will be discussed subsequently. Before that, however, it may be well to give a brief account of the actual characteristics of the development in 1930 and 1931.

### III. AN ACCOUNT OF THE DEPRESSION.

#### (a) *Production, Trade, etc.*

In the autumn of 1929, many competent observers expected the depression to be of short duration. At one time in the spring of 1930 there seemed to be indications that this expectation would be fulfilled. In manufacturing industries in the United States of America there was a substantial revival, which exceeded the ordinary seasonal recovery. This recovery, however, was short-lived, and the depression gathered new strength in the latter half of 1930. The seasonal recovery in the spring of 1931 has been rather less than usual. In other words, production and price curves—after elimination of seasonal variations—have continued downwards, although the rate of decline was considerably checked towards the end of 1930 and the beginning of the present year. It is, however, too early to judge whether this slackening of the pace is due to seasonal influences or for any other reasons is a temporary phenomenon.

The following table shows the quarterly movement of the volume of production in manufacturing industries in some important countries.

Table VII. — *General Indices of Production.*  
(1928 = 100.)

Countries	1929				1930			
	I	II	III	IV	I	II	III	IV
France (Statistique générale) . . . . .	108	110	109	112	113	113	109	106
Germany (Institut für Konjunktur- forschung) . . . . .	95	109	103	100	93	89	80	75
United Kingdom (London and Cambridge Economic Service)	106	108	106	112	107	98	88	90
United States of America (Federal Reserve Board) . . . . .	107	112	111	98	95	93	83	76

The reduction in world trade is illustrated by the chart shown above. Different parts of the world and different countries have, of course, been very differently affected. As was to be expected in view of the price movements which have been described, countries producing crude vegetable food products and raw materials seem to have suffered more than manufacturing countries. Consequently, Europe has felt the depression less than other parts of the world. During the first nine months of 1930, the international trade of European countries fell short of the figure of the previous year by 12 per cent, whereas the reduction in the international trade of extra-European countries declined by 23 per cent. In the last quarter of the year the new reduction was, however, of the same relative proportions in Europe as elsewhere.

Up to that time, European industrial countries were suffering largely from the secondary reactions of the depression which at first affected more directly other parts of the world. As the depression increased in intensity, however, its effects became cumulative and the demand for manufactured goods, not only by producers of primary commodities, but also by the industrial States themselves, gradually fell off. As prices of manufactured goods have fallen relatively little compared with a drop of 40 to 50 per cent in most primary products, Europe evidently is in a position to exchange its manufactured goods against raw materials and crude food products at much more favourable terms than before the depression. To pay for a given quantity of the latter, a much smaller quantity of manufactures has to be exported. It is highly significant that the quantity of imports in European countries in 1930 seems to have been almost as large as in the previous year, whereas the quantity of exports was probably about 10 per cent smaller. As between European manufacturing nations and countries exporting cereals and raw materials, the change in the terms of trade to the advantage of the former is something like twice this figure. To a not inconsiderable extent the reduction of output in European manufacturing industries, and the consequent unemployment, corresponds to the decline in the quantity of such goods which Europe must send to other parts of the world to pay for imported food products and raw materials.

That, at any rate, the industrial countries of Europe have not been so seriously affected as most of the rest of the world is corroborated by a closer analysis of the trade in different groups of commodities. According to the somewhat inadequate data available, the reduction in the volume of raw materials imported would seem to be considerably greater in extra-European than in European countries, which indicates a greater reduction of manufacturing activities in the former. Equally significant is the fact that the European exports of manufactured goods to European countries has declined comparatively little in 1930, whereas the export to other countries has fallen heavily.

Those European countries, however, whose economic forces are mainly devoted to the production of cereals have felt the full brunt of the depression and, in the majority of industrial States, there has been an unprecedented falling off in effective employment.

Table VIII. — Unemployment in Germany, Italy and the United Kingdom.

(ooo's omitted).

Country	1929, February	1930, February	1931, February
Germany <sup>1</sup> . . . . .	3,050	3,366	4,972
Italy <sup>2</sup> . . . . .	505	483	792
United Kingdom <sup>3</sup> . . . . .	1,454	1,583	2,697

<sup>1</sup> Number of unemployed registered.

<sup>2</sup> Number of unemployed registered (totally and partially unemployed).

<sup>3</sup> Compulsorily insured workers, wholly or partially unemployed.

Source: League of Nations *Monthly Bulletin of Statistics*.

In studying such figures, one must bear in mind that, for many reasons, they are not internationally comparable; they should be used rather for a comparison of the situation in the same country at different times. A study of figures from which seasonal variations have been eliminated shows that unemployment increased rapidly in the last quarter of 1930 and did not decline in the first quarter of 1931.

Even if it were possible to compare the national unemployment figures, they would give no certain indication of the relative severity of the crisis in different countries. The number of working hours per week has been reduced far more in certain countries than in others. Further, even if complete and reliable figures for short time and unemployment were available, it would be a mistake to suppose that countries with low figures necessarily suffer less from the depression than others. On the contrary, the national income in manufacturing countries has dropped much less than in cereal-producing countries, many of which have little unemployment.

It would fall outside the scope of this review to analyse the position of the different industries. Some of them are naturally more depressed than others. In 1929 and the first half of 1930, industries manufacturing producers' goods—iron and steel, machines, building materials, etc.—seem to have reduced output less than those producing consumers' goods. Especially in the textile industry, prices and output declined rapidly. After the summer of 1930, the tendency has, however, reversed, and the output of producers' goods has fallen off more than that of consumers' goods. This may be partly due to the fact that, in the first half of 1930, retailers reduced their purchases more than their sales in order to diminish stocks. From the third to the fourth quarter of 1930, the volume of production in the iron and steel industry of the world declined by about one-seventh. This development is probably, to a large extent, due to the fact that the volume of real investment kept up fairly well in the first half of the year; the building industry, for instance, was active in many countries. Later, when investments decided upon earlier had been completed and few new ones were started, the production of capital goods naturally declined rapidly. The development was

not, of course, the same in all countries. The mechanical engineering industry in a country like the United States, where the boom expansion was great, has reduced its output in 1930 to half the 1929 figure. In Great Britain, the reduction was probably only about 10 per cent, in Germany about 15 per cent, whereas in France it maintained about the same level of production in 1930 as during the previous year. Similarly, the manufacture of motor cars has declined much more in the United States than in Europe—namely, by 37 per cent as against 11 per cent. The reduction was greater in Germany and Italy than in Great Britain and France. Among industries which increased their output during 1930 is shipbuilding; the total tonnage of ships over 100 tons launched rose by 3.4 per cent. In Europe, the tonnage launched was the same as in 1929. It seems certain, however, that it will decline heavily in 1931. In the beginning of that year the capacity of British wharfs was utilised only to 25 per cent. The world tonnage under construction sank from 3.3 million tons measurement at the end of the first quarter of 1930 to 2 million tons at the end of March last.

The violence of the crisis is clearly reflected in the Stock Exchange quotations. The level of shares in general fell from the various maxima reached in 1928-29 by the following percentages in the countries shown in the following table. It should be noted that, in several countries, the decline started as early as 1928.

Table IX. — Percentage Reduction in Indices of Stock Exchange Securities.

United States	United Kingdom	France	Germany
From September 1929 to December 1930	From January 1929 to December 1930	From February 1929 to December 1930	From June 1928 to December 1930
Per cent 52.8	Per cent 33.6	Per cent 36.3	Per cent 47.3

Sweden	Switzerland	Netherlands
From July 1929 to December 1930	From September 1928 to December 1930	From March 1929 to December 1930
Per cent 29.3	Per cent 30.7	Per cent 52

Sources: France: *Statistique générale*.

Other countries: League of Nations *Monthly Bulletin of Statistics*.

The stocks of staple commodities reflect at once one of the causal factors of the depression and its gravity. As indicated above, stocks of many commodities were exceptionally high before the autumn of 1929. Since then, the all-round decline in effective demand has been greater than the reduction of supply—in spite of a bad harvest of some cereals in 1929—so that stocks have been rising to still higher levels, as shown by the table below.

Table X. — Stocks of Staple Commodities<sup>1</sup> (Beginning of Month).

	July 1929	January 1930	July 1930	January 1931	March 1931
Cotton <sup>2</sup> (1,000 bales) . . . . .	3,096	3,622	4,970	6,471	6,787 <sup>6</sup>
Copper <sup>3</sup> (1,000 long tons) . . . . .	315	401	522	535	519
Spelter (1,000 long tons) . . . . .	34	73	109	140	142
Rubber <sup>4</sup> (1,000 long tons) . . . . .	299	383	430	511	533
Sugar (1,000 long tons) . . . . .	4,779	5,473	6,156	6,877	7,573
Coffee (1,000 bags) . . . . .	14,259	25,063	28,424	29,309	28,459
Nitrate (1,000 long tons) . . . . .	1,653	2,516	2,249	—	—
Wheat (1,000 metric tons) . . . . .	13,803 <sup>5</sup>	15,708	11,209	16,373	—

<sup>1</sup> Except in the case of sugar and coffee, the series in this table are not as complete as those shown for previous years in Tables II and III.

<sup>2</sup> Total supply seasonally corrected, exclusive of European and Asiatic mill stocks.

<sup>3</sup> Total supply outside hands of consumers, less Japan stocks.

<sup>4</sup> Estimate of world's stocks by Rubber Growers' Association.

<sup>5</sup> End of September.

<sup>6</sup> Provisional.

Sources: London and Cambridge Economic Service. For Wheat: *Wochenbericht des Instituts für Konjunkturforschung*, March 18th, 1931.



These figures cover only the so-called visible stocks and do not include stocks in the hands of producers. It is almost certain that the latter have been much reduced, but by how much it is impossible to say. For manufactured goods, even less complete figures are available. It seems practically certain, however, that inventories of such goods in the hands of the retail trade have fallen off. The decline in retail stocks is of great importance and should tend substantially to strengthen the whole economic situation; for, while these stocks were being reduced, the community as a whole was consuming more than it was producing of certain goods, and in other cases visible stocks in the hands of wholesalers tended to increase. Owing to the consequent weakening of its demand for further production, prices and employment naturally fell off. Once, however, retail stocks have been brought down to their irreducible minimum, this cause of a reduction in demand for new products must disappear and prices should be steadied. Once the decline in prices has stopped and the retailer feels himself justified in raising his stocks again to more normal dimensions, a temporary increase in demand in excess of consumption is to be anticipated.

(b) *The Development of Prices.*

The violent reduction of wholesale prices during the last two years has come as a surprise to most economic authorities. As prices rose very little during the upward swing of the business cycle, and in some countries even declined, they were led to expect only a moderate price decline during the downward swing. This expectation, unfortunately, was not realised. The heavy drop in the wholesale-price indices has been shown in Table VI above.

Of foodstuff prices, those of cereals have dropped much more than those of animal foods. Since the summer of 1929, the price of Canadian wheat has declined almost 60 per cent. The prices of rice and coffee have fallen by about 50 per cent. As many foodstuff prices began to decline rapidly as early as 1928, the reduction since that year has been even greater. In Great Britain, the whole group of food prices has declined by one-third, in spite of the fact that prices of animal foods, like butter, eggs and cheese, have been fairly well maintained. The price of Danish butter in March 1931 was only 23 per cent below the 1928 average.

But, when discussing food prices, the fact should not be overlooked that world market prices are not at all representative of conditions in most countries, owing to high and—in recent years—rapidly rising import duties on grain. In several European countries the prices of cereals in 1930 were almost as high as in the preceding year. The average price at which wheat has been sold by farmers in many countries on the European continent—but not, of course, in Eastern European countries—has probably not declined more than the prices of animal foods. The cereal-exporting countries have thus suffered both absolutely and relatively.

On the world markets, the prices of raw materials have shown a movement similar to that of vegetable foods. Prices of cotton, raw silk, wool, jute, rubber, hides, tin and copper have all dropped to about one-half those ruling two years ago. The important exceptions are coal and iron and steel. British coal (best large steam D.C.B., Newcastle) was quoted at 13s. 6d. per long ton in 1928, 15s. in 1929, and 13s. 2d. in the first quarter of 1931. British pig-iron has declined by about 20 per cent since 1929, while in the United States and Germany the prices have declined only about 10 per cent. In certain cases, the fact that the prices of some of these commodities, which during the depressions in the last two decades of the nineteenth century used to show reductions of 40 to 50 per cent, have declined relatively so little is largely due to the influence of agreements between producers. In others, such as coal, a contributing factor is that prices were already very low in 1928.

The effects of price regulation by producers is seen very clearly in Germany, where the prices of those raw materials and semi-manufactured goods which are more or less independent of world market prices dropped only about 11 per cent from the autumn of 1929 to the end of 1930, whereas prices governed by world competition fell about 32 per cent. While the prices of the former group were more than 20 per cent over the 1913 level towards the end of 1930, prices of the latter group were 15 per cent below that level.

Wholesale prices of raw materials have, as usual in periods of depression, dropped more than those of finished goods. In this respect, however, conditions vary a great deal from country to country. In Germany, the prices of consumers' goods fell 16 per cent from the autumn of 1929, and the prices of corresponding raw materials 45 per cent. In Sweden and Denmark, on the other hand, the prices of finished goods seem to have declined almost as much as those of raw materials. Other countries show figures lying between these two extremes. In several countries, prices of semi-finished goods have dropped more than those of raw materials.

Price agreements between producers are also partly responsible for the fact that the prices of goods which are not subject to international trade have fallen less than import and export prices. Retail prices have lagged somewhat behind wholesale prices. A drop in the latter does not usually, at least not in the first instance, lead to a reduction in the retail margin—i.e., the sum the

retailer requires in payment for his services. Thus, the percentage drop in retail prices is smaller than in wholesale prices. Further, the retail price at a certain date refers to a commodity which is purchased by the retailer at an earlier date when wholesale prices were higher. There is also an element of monopoly in the position of a retail trader which makes it possible for him to profit from the conservatism of his customers. In food-exporting countries, retail prices of foodstuffs have declined 15 to 20 per cent; in Hungary and Bulgaria, as much as 25 per cent from the 1929 average level. Elsewhere, the reduction has been a little less, chiefly owing to increased import duties.

The shrinking of the volume of international trade has, of course, meant a falling off in the demand for tonnage and brought about a considerable decline in freight rates. The *Economist's* index number, which lay, on an average, a little under 100 in 1928, was approximately 80 in 1930.

Nominal wages of manufacturing workers have remained almost unchanged in most countries. In Great Britain, the index number shows a drop of 2 per cent. In the United States of America, average weekly earnings had declined by about 10 per cent by January 1931; the reduction in nominal wage rates has, of course, been less. In Germany, where wages rose rapidly between 1926 and 1929, the reduction has since been small. The wage-index for industries producing capital goods rose by about 26 per cent from January 1st, 1927, to January 1st, 1930, and declined only about 1 per cent in 1930. In industries producing consumers' goods and in transportation there has, according to the statistics available, been no reduction at all. Even in countries where the greatest reductions have taken place, they have not completely offset the fall in the cost of living. Consequently, *real* wage rates of the employed workers have been rising, although probably a little less than the figures indicate, as in some cases wage reductions are not reflected in the wage statistics. In the spring of 1931, the tendency towards wage cuts seems to be gaining strength in several countries.

The influence on prices of the rapid growth in the output of certain classes of products is, however, only one aspect of the situation. Some reference must also be made to the monetary aspects of the problem, although it is not proposed on this occasion to do more than to refer to them briefly. A study of the forces or of the policies which have influenced the monetary situation in recent years could not be adequately given within the limits of this brief note. The effect of these forces is, however, largely reflected in the movements of discount rates, which themselves have influenced the movements of capital and the opportunities for profitable investment.

In the latter half of 1928, there was a general tendency for money rates to rise in the more important markets of the world, a tendency which was steadily maintained throughout the whole course of 1929 up to the Stock Exchange crash in New York in the autumn of that year. In London and Amsterdam the rates were raised from  $4\frac{1}{2}$  to  $5\frac{1}{2}$  per cent in February and March 1929 respectively. The German rate went up to  $7\frac{1}{2}$  per cent in April. In August, the Federal Reserve Bank of New York raised its rate from 5 to 6 per cent, and in the next month the Bank of England raised its rate to  $6\frac{1}{2}$  per cent. Then came the stock market crisis in New York. Immediately afterwards, the New York rate was reduced, and Central Banks in other countries followed suit. Since then, discount rates have been lowered several times in most countries, and in the spring of 1931 have reached an unusually low level—in Paris and Zurich, 2 per cent, in New York  $1\frac{1}{2}$  per cent. Other rates have fallen simultaneously. Commercial paper rates have dropped to about 1 per cent in Amsterdam and Zurich,  $1\frac{1}{2}$  per cent in New York, 2 per cent in Paris and 2 to  $2\frac{1}{2}$  per cent in London. In Berlin, the rate fell to 3 per cent in the summer of 1930, but has since risen to 5 per cent. Interest rates on long-term loans have declined much less. It is one of the characteristics of the present situation on the capital market that the lack of confidence makes capitalists unwilling to invest their money on long terms—*e.g.*, to buy bonds—and creates a preference for keeping it on the money market or as bank deposits. Nevertheless, bond yields have declined substantially or by  $\frac{1}{2}$  to 1 per cent since the autumn of 1929 in the leading countries, and the interest to be paid on bank loans has dropped in proportion.

Many financial authorities hold the opinion that this easing of the capital market has been too small to enable all current savings to be demanded by borrowers.

The incentive to borrow and invest during periods of falling prices and depression is, of course, very much less than at other times. If the total of current savings is to be lent and used for real investment, it must be offered on considerably cheaper terms than usual, though even the lowest rates may fail to produce the desired result. If the rates are not sufficiently attractive, or the anticipation of the future fall in prices checks enterprise despite low rates, these savings will not all be used, the total purchasing power will decline and the price-level will drop. It seems not improbable that the whole of the last eighteen months has been characterised by such a lack of balance between savings and investments, a lack of balance which must strengthen the tendency towards a reduction of the general commodity price-level.

One reason why long-term interest rates have been falling so slowly is no doubt the conservatism of investors, who, in the last decade, have been used to obtaining a certain net yield and are reluctant to accept much less, preferring for a time to hold their money as bank deposits or on the short-term money market.

Investors have also been influenced by unsettled political conditions, which have tended to strengthen the other forces already mentioned, contributing towards a contraction of the international movement of capital. Doubts about the political outlook in certain borrowing countries and other factors have also kept the capital-exporting countries from expanding again their foreign lending, which had been contracted in the summer of 1929.

In 1928, the net export of capital from the United States, which had reached a record level of about 1,000 million dollars in the preceding year, fell to about one-fourth of that figure; in 1930, the net outward movement was quite insignificant. The British export of capital was better maintained in 1929, reaching about the same level as in the previous year; but in 1930 it dropped by 70 per cent. France exported very considerable amounts of capital in 1926 to 1928, chiefly on short-term account. In 1929, this movement was considerably checked, and in 1930 there was probably a net import of capital into France; large amounts of liquid funds were taken home from London and New York. In the borrowing countries, corresponding changes took place. The German import of capital in 1927-28 probably amounted to as much as 1,000 million dollars a year. It fell off considerably in 1929, and was relatively unimportant last year. In Poland and Hungary, there was also a heavy reduction in capital imports in 1929-30 as compared with 1927-28. Argentine borrowed much less in 1929 than formerly, but, unlike most countries, succeeded in increasing its borrowings in 1930.

The money which owners of capital in certain of the capital-exporting countries have failed to lend to countries with high rates of interest in which it would have been used for real investments, has probably in part not been used at all. Borrowing countries, in consequence of the curtailment of their borrowings, have had to reduce their purchases in manufacturing countries, which has reduced production and increased unemployment. This reduction in their demand has not been offset by an equivalent increase in the demand for producers' or consumers' goods in lending countries, and prices have, in consequence, been depressed.

It is in this state of the capital markets that the maladjustments in production and trade previously described have been exercising their influence. The question which is often put whether the causes of the drop in prices are to be found on the side of money and capital or on the side of production and trade is falsely formulated. If *any* of the circumstances—monetary policy *or* industrial maladjustment—had been different, then the economic development and the movement of the price-levels might also have been different.

Thus the severity of the drop in prices and of the depression in general seems to be due to the existence of deep-seated maladjustments between production and demand and in international economic relations, especially in international credit transactions, and to the absence of offsetting factors in the credit situation. The credit situation itself is affected at all times at once by monetary policy and by the general economic conditions which exist, and monetary policy in its turn is not conducted in a vacuum, but is always largely determined by those same general conditions. But the lack of adaptability in the economic system and to some extent of flexibility in monetary systems, partly due to political instability and lack of confidence, have prevented such changes being made in the basic conditions, before and after the turn in 1929, as might have mitigated the depression.

Reference should also be made to a special monetary factor which has exercised a disturbing influence—the depreciation of silver and the consequent drop in the exchange value of the Chinese currency. As the internal price- and wage-levels in China have risen very slowly, the ability of that country to buy foreign manufactures has been considerably reduced.

A few words may be added by way of comparison with previous depressions. In the last two decades before the war—a period with a rising trend of prices—Europe experienced two severe crises in the years 1900 and 1907. These were of shorter duration than the present depression, and, further, involved a reduction in the output of manufacturing industries and in wholesale prices of considerably smaller proportions. The present depression bears far more resemblance to those of the 'seventies and 'eighties of the last century, when the general trend of the price-level was downward. At that time a maladjustment in agriculture, brought about largely by the rapid increase in the production of cereals in oversea countries and a cheapening of the means of transporting them to Europe, was an essential characteristic of the situation. Even then, however the upward swing seems to have begun not later than a year and a-half after the downward turn—a period which the present depression bids fair to exceed.

#### (d) *International Differences in Business Conditions.*

In general discussions of world economic conditions, too little attention is often paid to the considerable differences in the position of different countries. It has already been pointed out that Europe suffered less than most other parts of the world, especially up to the autumn of last year. The national income of countries largely dependent on the production and export of cereals has been reduced more than that of manufacturing countries. Countries such as Denmark and Ireland, whose principal exports are animal food products, were relatively slightly

affected by the depression until the autumn of 1930. The fall in the prices of animal foodstuffs up to that date was not great and was largely offset by a reduction in the prices of fodder. The exports of manufacturing countries, such as Germany, Switzerland and Sweden, which sell mainly in the European market, were less affected than those of Great Britain and the United States. The German export value of manufactured goods in 1930 was only 2 per cent lower than in 1928, whereas in Great Britain and the United States the corresponding figures were 20 per cent and 16 per cent. But for certain other unfavourable factors—in particular, political uncertainty and the serious contraction of capital imports—Germany would probably have suffered less than the other two leading export countries. In the United States, the violent boom of 1928-29 had created a set of special disturbances which aggravated the effects of the crisis. The volume of production in manufacturing industries declined from the second quarter of 1929 to the fourth quarter of 1930 by no less than 34 per cent. The corresponding figure for Germany was 31 per cent and for Great Britain only 9 per cent. Great Britain has, indeed, been in a relatively favourable position, partly on account of the advantageous terms on which she has been able to purchase her foodstuffs and raw materials, either with her exports of manufactured goods or with the fixed interest on certain classes of her foreign investments.

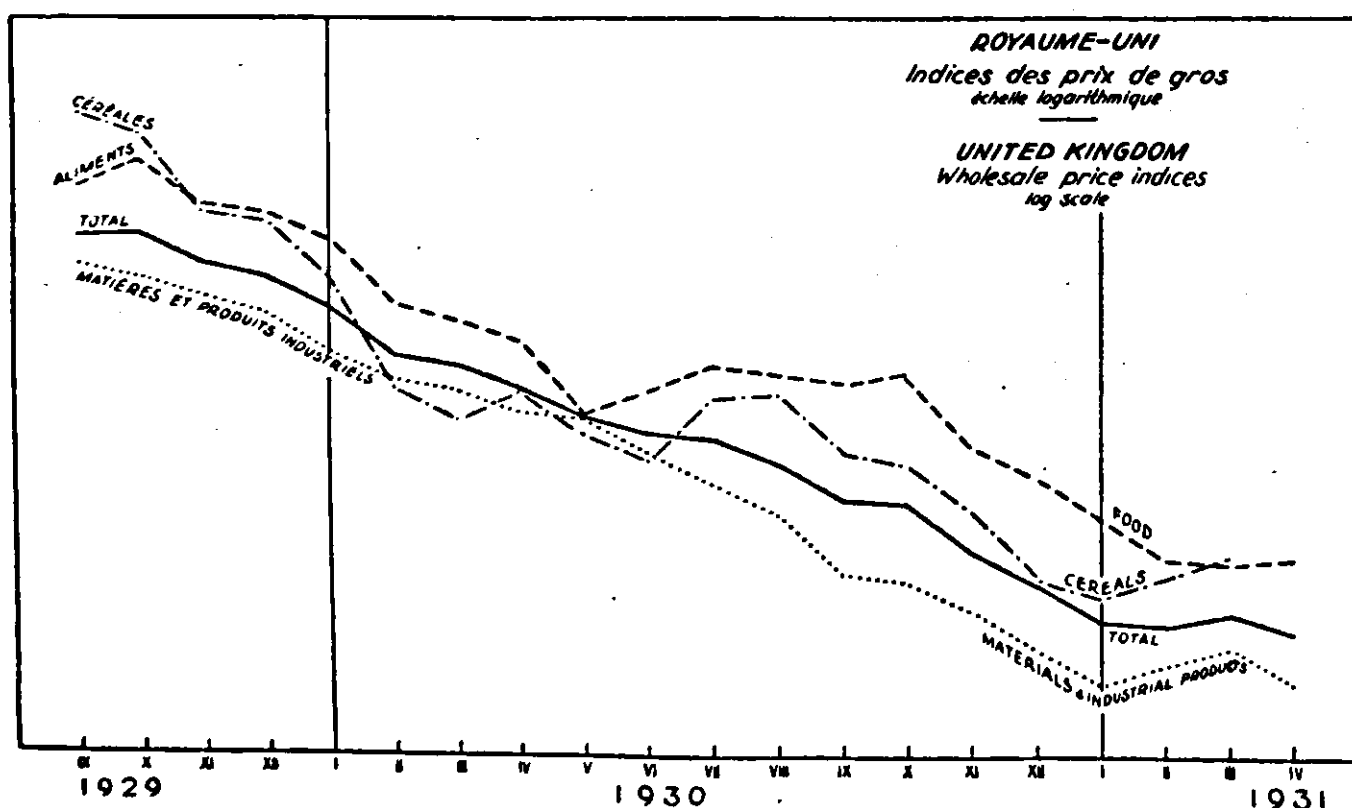
Differences in the relative position of the various countries are also largely due to differences in the degree of the flexibility of their economic organisation, the adaptability of business firms, the mobility of labour, the flexibility of wages, etc. The Netherlands and the Scandinavian countries would appear to owe their relatively very favourable position largely to the flexibility of their economic systems.

In France and Belgium, the internal price- and wage-levels in terms of gold were low at the time of their return to the gold standard, and do not seem to have quite reached a normal relation to prices abroad by 1929. Retail prices in France were rising throughout the year 1930. These conditions naturally mitigated the effects of the decline of the world price-level. In this country, further, the large demand for real investments, especially for electrification, has maintained production in capital industries at a high level and helped to maintain a balance between saving and lending.

That the Eastern-European and oversea countries—large producers of cereals, coffee and raw materials—have suffered most seriously has already been mentioned. The agricultural countries in Europe have shown a marked power of adaptation and have succeeded in resisting the strain on their balance of payments and maintaining their currencies stable.

#### IV. THE ECONOMIC SITUATION IN THE SPRING OF 1931.

Almost two years have now passed since the volume of production and trade turned decisively downwards, and as yet no clear signs of a revival are to be observed. As it has already



been mentioned, this depression is of an unusual length, greatly exceeding those experienced in the last two decades before the war. In recent months, however, there have been indications

of a decline in the rate at which the depression has been proceeding. Stocks of staple commodities have, on the whole, ceased to rise, and in certain cases have slightly sunk. Prices of raw materials have dropped but little from November to March, as the chart on the preceding page referring to the United Kingdom, shows. The curve for "materials and industrial products" represents chiefly raw materials and semi-manufactured goods.

However, in April, the tendency was distinctly downwards, and the situation seems weaker than it was a month ago. The indices of production in manufacturing industries continued to fall rapidly during the last quarter of 1930. From January to February of the present year, a considerable increase took place in certain countries.

Table XI. — General Indices of Production.

(1928 = 100)

Country	1930			1931		
	October	November	December	January	February	March
United Kingdom (London and Cambridge Economic Service) . . . . .		90.4 <sup>1</sup>			82.7 <sup>1</sup>	
France (Statistique générale) . . . . .	107.1	106.3	105.5	104.7	104.7	
Germany (Wochenberichte des Institutes für Konjunkturforschung) . . . . .	77.1	75.6	72.2 <sup>2</sup>	68.5 <sup>2</sup>	70.2 <sup>2</sup>	71.1
Poland (Polish Institute Economic Research) . . . . .	85.0	82.0	78.9	74.0	71.3	70.5
Sweden (Svensk Finanstidning) . . . . .	114.5	109.1	109.1	102.7	111.8	110.9
United States (Federal Reserve Board) . . . . .	78.4	76.6	73.9	73.9	77.5	79.3
Canada (Review of Business Statistics) . . . . .	90.3	90.0	79.7	82.0	84.3	

<sup>1</sup> Quaterly figure.

<sup>2</sup> Provisional.

Source: League of Nations *Monthly Bulletin of Statistics* *Wochenbericht des Institutes für Konjunkturforschung*, May 6th, 1931, London and Cambridge Economic Service, April 23rd, 1931.

In the absence of later figures, it is as yet impossible to say whether this increase was more than a temporary improvement. The feeling in business circles seems to be that, as yet, no real upward movement has begun.

But it is, unfortunately, too early to judge whether such indications as may be found that the depression is being arrested are substantial or whether they are the outcome of the normal spring revival. In quite a few months' time the situation should become very much clearer. On previous occasions, for instance in 1921-22, a definite revival began within a few months of those during which the major decline was gradually arrested; but judgment concerning the situation at the moment must necessarily be suspended, in view of the further decline of prices which has taken place during the last four weeks. The course of events will therefore require very careful watching between now and the early autumn.

But the date at which real recovery begins and the rapidity with which it progresses will depend, not only on such natural forces as the gradual consumption or decay of stocks, but also on events of a non-economic origin, and upon the economic policy pursued.

The whole post-war development brings out very clearly the economic importance of political conditions, both international and domestic. When these are disturbed and confidence is shaken, international credit transactions are immediately affected and trade conditions vary rapidly. Economic life suffers, and recovery cannot but be impeded by political uncertainties. The world is in fact, more closely knit to-day economically than politically. The actions of individual countries, not only with regard to monetary or commercial policy, which are immediately international in their reactions, but also with regard to what may seem to be purely domestic or purely political affairs, inevitably entail far-reaching economic consequences.

The free movement of capital on which so much depends will be determined, not only by the security which is foreseen, but by the adequacy of the mechanism available for capital transactions. In this connection, the Gold Delegation of the Financial Committee, in its last report, remarked:

"Lending must not be impeded by artificial restrictions, such as discriminatory rates of taxation or exchange control. We believe that any measures designed to improve the mechanism for the issue of foreign loans, or to promote international transactions in existing securities, would contribute to the smooth working of the gold standard, granted the powers of Central Banks to control temporary disequilibria are adequate. We have in mind such measures as the

improvement of facilities for foreign investments, the quotation of foreign securities on national Stock Exchanges, the equalisation of taxes on domestic and foreign investments. We also attach particular importance to the discussions now taking place with a view to the solution of the problem of double taxation. The high rates of taxation in certain countries constitute an insuperable barrier to capital movements in cases when, owing to the absence of any international understandings, the owner of foreign securities is liable to be taxed twice on his holdings."

They add, however, that all these various measures designed to facilitate long-term lending and the international purchase and sale of securities will require time for their perfection. On the other hand, the effective demand for capital must depend on the price which has to be paid for it. That price will be determined largely by the element of insurance against risk, which it incorporates, and therefore by those conditions to which reference has been made above. It is believed by many authorities, however, that the average price to-day of long-term investments is unduly high owing to an exaggerated conception of the real risks which exist, and any action which would result in the reduction of the price of capital would no doubt expedite economic revival.

The maladjustments which require to be righted, however, demand freedom, not only for the movement of capital, but for the other factors of production. The more readily labour can be transferred from one industry or occupation to another in any country, the more quickly will that country be able to adapt itself to those more profound changes which lie behind what has been described above as structural maladjustment. This, of course, holds good for agriculture as much as for manufacturing industries. Indeed, every action which increases the flexibility of the economic system as a whole must facilitate the readjustments which are required. It is for this reason that many economic authorities maintain that co-operative efforts to uphold the price of this commodity or of that are likely rather to prolong than to alleviate the depression. Such measures of control, it is maintained, are likely to involve an undesirable delay in the adjustment of the relative prices of different classes of goods.

It does not follow, of course, that an international competition with a view to a reduction in the price of labour—wages—would have beneficial effects. Such a general lowering of wages may, in certain circumstances, lead to a general lowering of the whole range of values—the world price-level—or rather weaken the normal tendency to a rise in that level after active trade conditions have been established. Such a permanent lowering of values would, of course, tend to render the burden of fixed charges on industry higher than they would otherwise have been. From this it must not be assumed, however, that the relationship between wage-rates in different industries or in different countries which existed prior to the present depression was in any sense of the word either normal or permanent. Some change, either upward or downward, is at all times demanded by the inevitable changes in general economic conditions.

The control of the prices of commodities can, of course, only be achieved by means of the control, direct or indirect, of their production or sale. Such control is, or may be, exercised by industrial associations; but that particular form of impediment to the free movement of goods or the rapid adjustment of prices is only one, and perhaps not the most important, of the many impediments to commodity movements and price adjustments that exist to-day.

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Genève, le 9 mai 1931.

**SOCIÉTÉ DES NATIONS**

**COMMISSION D'ÉTUDE POUR L'UNION EUROPÉENNE**

**Écoulement des Stocks de Céréales 1930**

**COMMUNICATIONS DES GOUVERNEMENTS BRITANNIQUE ET  
TCHÉCOSLOVAQUE**

*Note du Secrétaire général:*

Le Secrétaire général a l'honneur de communiquer aux membres de la Commission les lettres suivantes des Gouvernements britannique et tchécoslovaque, concernant le paragraphe premier de l'Acte final de la Réunion relative à l'écoulement des stocks de céréales 1930 tenue à Paris du 23 au 25 février 1931.

**I. LETTRE DU GOUVERNEMENT BRITANNIQUE.**

[Traduction.]

Me référant à l'Acte final adopté par la Conférence des représentants des pays exportateurs de céréales de l'Europe centrale et orientale et des pays importateurs européens, qui s'est tenue à Paris du 23 au 25 février dernier<sup>1</sup>, sous les auspices de la Commission d'étude pour l'Union européenne, j'ai l'honneur, d'ordre du Principal Secrétaire d'Etat de Sa Majesté aux Affaires étrangères, de vous faire savoir que bien que le Gouvernement de Sa Majesté dans le Royaume-Uni sympathise pleinement avec les Etats danubiens à l'occasion de leurs difficultés présentes, il regrette de ne pouvoir s'associer aux déclarations contenues dans les résolutions qui figurent dans l'Acte final de la Conférence, par suite de la situation difficile dans laquelle se trouvent certains pays d'outre-mer, notamment le Canada, l'Australie et l'Inde, dont le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord dépend ordinairement pour ses approvisionnements en céréales.

Je vous serais reconnaissant de vouloir bien porter cette décision à la connaissance des autres gouvernements qui ont participé à la Conférence.

**II. LETTRE DU GOUVERNEMENT TCHÉCOSLOVAQUE.**

Le commerce intérieur et extérieur des céréales et des produits qui en sont fabriqués est libre dans la République tchécoslovaque. Tenant compte de ce régime juridique, les circonstances se sont développées de telle sorte que la République tchécoslovaque couvre la plus grande partie de ses besoins en céréales et en produits céréales (spécialement en farine) — pour lesquels elle ne se suffit pas à elle-même — par l'importation des Etats agricoles de l'Europe centrale et orientale. La République tchécoslovaque a couvert ainsi, si l'on prend en considération la moyenne des quatre années 1926-1929, son importation de froment par 77%, de farine de froment par 43% et de maïs par 68% par l'importation de ces Etats.

Le Gouvernement de la République tchécoslovaque ne doute pas que, même à l'avenir, le commerce tchécoslovaque extérieur des marchandises en question ne se développe d'une manière favorable aux Etats mentionnés de l'Europe centrale et orientale.

<sup>1</sup> Document C.196.M.79.1931.II.B.

Geneva, May 9th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**Disposal of 1930 Cereal Stocks**

**COMMUNICATIONS FROM THE  
GOVERNMENTS OF GREAT BRITAIN AND CZECHOSLOVAKIA**

*Note by the Secretary-General:*

The Secretary-General has the honour to communicate to the Members of the Commission the following letters which have been received from the Governments of Great Britain and Czechoslovakia with reference to paragraph 1 of the Final Act of the " Meeting for the Disposal of 1930 Cereal Stocks ", held in Paris from February 23rd to 25th, 1931.

**I. LETTER FROM THE GOVERNMENT OF GREAT BRITAIN.**

With reference to the Final Act adopted by the Conference of representatives of the grain-exporting countries of Central and Eastern Europe and of the European importing countries which met at Paris from February 23rd to February 25th last<sup>1</sup>, under the auspices of the Commission of Enquiry for European Union, I have the honour to inform you, on instructions from His Majesty's Principal Secretary of State for Foreign Affairs, that, although His Majesty's Government in the United Kingdom fully sympathise with the States bordering on the Danube in their present difficulties, they regret that they were unable to associate themselves with the declarations embodied in the resolutions contained in the Final Act of the Conference in view of the difficult situation in certain overseas countries, notably in Canada, Australia and India, on which the United Kingdom of Great Britain and Northern Ireland ordinarily relies for its supplies of cereals.

I shall be grateful if you will be so good as to bring this decision to the knowledge of the other Governments which took part in the Conference.

[*Translation.*]

**II. LETTER FROM THE CZECHOSLOVAK GOVERNMENT.**

Both internal and external trade in cereals and in the products manufactured from cereals are free in the Czechoslovak Republic. Under this legal system, the trend of events has been such that the Czechoslovak Republic can cover the greater part of its requirements in the matter of cereals and cereal products (especially flour)—for which it is not self-supporting—by imports from the agricultural States of Central and Eastern Europe. Taking the average for the four years 1926 to 1929, the Czechoslovak Republic covered its imports in this way—by means of imports from those States—as follows: wheat, 77 per cent; wheaten flour; 43 per cent, and maize flour, 68 per cent.

The Czechoslovak Government does not doubt that, even in the future, the Czechoslovak external trade in the commodities in question will develop in a manner favourable to the aforesaid Central and Eastern European States.

<sup>1</sup> Document C.196.M.79.1931.II.B.

Geneva, May 15th, 1931.

**LEAGUE OF NATIONS**

**REPORT**

OF THE

**SPECIAL COMMITTEE APPOINTED TO FRAME A DRAFT GENERAL CONVENTION TO IMPROVE THE MEANS OF PREVENTING WAR.**

**I. REPORT SUBMITTED BY Dr. LANGE (Norway),**

*adopted by the Committee on May 15th, 1931.*

The Special Committee appointed by the Council to pursue the study of a draft General Convention met at Geneva on May 11th, 1931. It requested M. Nicolas POLITIS, representative of Greece, to preside, and entrusted the duties of rapporteur to Dr. LANGE, representative of Norway.<sup>1</sup>

The Committee sat from May 11th to 15th. Before submitting its conclusions, it seems desirable to recall the Committee's terms of reference and the circumstances in which it was called upon to perform its task.

In 1928, the Committee on Arbitration and Security, having before it suggestions from the German delegation relating to conservatory measures for the prevention of war, found it impossible to frame anything more than a model treaty, and the Ninth Assembly expressed the hope that this model might form a useful basis for States wishing to conclude a treaty of that nature.

In 1929, on the proposal of the British delegation, the Tenth Assembly decided to ask the Committee on Arbitration and Security to consider the possibility of establishing a draft General Convention on the broad lines of the model treaty drawn up in the previous year.

The delegations represented on the Committee on Arbitration and Security were unable to reach an agreement—more particularly on the questions relating to conservatory measures of a military character and the means of enforcing them. The various views maintained could, however, be reduced to two main currents of opinion, which, with certain reservations, were submitted to the Members of the League in the form of alternative texts.

The Third Committee of the Eleventh Assembly endeavoured to find some means of reconciling the advocates of these two texts. It became clear, however, that certain "delicate questions of a technical nature" would have to be gone into more thoroughly before there could be any hope of establishing a single text. For that reason, the Third Committee asked the Council to appoint a special committee to continue the study of the question, starting from the following conclusions drafted by a sub-committee of the Third Committee:

" I. The Committee is of opinion that, in principle, it would be advantageous to transform the model treaty into a General Convention to strengthen the means of preventing war.

<sup>1</sup> The following took part in the Committee's work:

M. René MASSIGLI, France.  
Dr. GÖPPERT, Germany.  
Viscount CECIL OF CHELWOOD, Great Britain.  
M. Nicolas POLITIS, Greece.  
M. José MATOS, Guatemala.  
General Alberto DE MARINIS STENDARDO DI RICIGLIANO, Italy.

M. Nobumi ITO, Japan.  
M. RUTGERS, Netherlands.  
Dr. Christian L. LANGE, Norway.  
M. SOKAL, Poland.  
Señor Lopez OLIVAN, Spain.  
M. Ilija CHOUMENKOVITCH, Yugoslavia.

" 2. The Committee was unanimous in regard to the provisions given in Article 1 of the preliminary draft concerning the conservatory measures of a non-military nature which the Council may recommend the contracting parties to take.

" 3. With regard to Article 2 of the preliminary draft, the Committee considered that this Article might embody provisions to ensure the integral application of Article 11 of the Covenant, with a view to the prevention of war by making binding on all contracting parties the Council's recommendations for the avoidance of direct contact between the opposing forces, and for the avoidance of incidents at a time when relations between the States concerned in any dispute have become so strained that, in the opinion of the Council, there is a threat of war.

" 4. The Committee likewise considered that the Convention should provide for a supervision of the measures which, in the cases mentioned in Article 2, would be decreed by the Council (Article 3 of the preliminary draft).

" 5. Lastly, in view of the fact that the scheme was limited to the prevention of war, as mentioned in Article 11 of the Covenant, the Committee felt that it should be understood that the question of the methods of applying Article 16 of the Covenant would remain intact, and that, on the other hand, the proposed Convention would result in facilitating such application."

On the basis of these conclusions and the observations submitted by various Governments, which are appended to the minutes of its meeting, the Special Committee appointed by the Council proceeded to re-consider the preliminary draft General Convention drawn up by the Committee on Arbitration and Security, and endeavoured to reconcile the opposing views.

\* \* \*

The draft Convention framed by the Committee was adopted unanimously by the members present, with certain reservations which will be stated in this report. The Japanese delegation abstained from voting, giving its reasons in a statement which is recorded at the end of the minutes of the fifth meeting.

We shall analyse below the machinery of the proposed Convention and present such observations as the Committee feels called upon to offer in explanation of the text it has drawn up.

The Committee had in view two essential aims: to afford those States which might think it desirable an opportunity of signing undertakings which would increase, so far as is at present thought possible, the efficacy of the means of preventing war which are placed at the Council's disposal by the Covenant of the League, and at the same time to avoid restricting in any degree the powers conferred upon the Council by the Covenant.

To promote the first of these aims, the Committee thought it advisable to base the obligations in the General Convention on the principle of Article 5 (Article 4 of the preliminary draft framed by the Committee on Arbitration and Security). According to this Article, the Council's decisions and recommendations regarding conservatory measures of a military or a non-military character, the supervision of the measures of a military character, and the means upon which, in the event of any violation, the Council might decide to ensure the execution of the Convention, would be binding on the parties to the dispute except as otherwise provided, so long as they were concurred in by all the members other than the parties to the dispute.

To meet the second consideration, the Committee not merely retained the old Article 6 of the preliminary draft of the Committee on Arbitration and Security (Article 8 of the draft Convention), according to which the Convention may not be interpreted "as restricting the task or the powers of the Council of the League of Nations as laid down in the Covenant"; but thought it advisable to lay down that the conservatory measures of a military character defined in Article 2 should be prescribed "without prejudice to the other powers" which the Council derives from Article 11 of the Covenant. The proposed Convention is in no case to be regarded as limiting those powers.

The Committee must lay particular stress on this idea because it realises perfectly well the limitations of the text it has prepared. It did not seem possible to ask the States to accept more extensive obligations in a general convention. But whereas, in the matter of conservatory measures, the contracting parties will not be legally bound except by the obligations in the Convention, there can be no doubt that they may, if they think fit, themselves agree or propose to the Council to take other measures "that may be deemed wise and effectual to safeguard the peace" and "the good understanding between nations upon which peace depends".

Moreover, although the draft represents only a modest advance in the direction of means of preventing war, the Committee desires to emphasise its practical importance and cherishes the hope that, in the future, this first step may be followed by other and more important steps.

#### *Ad Title and Preamble of the Convention.*

In view of the limited scope of its proposals, the Committee suggests that the title of the Convention should be altered. The title "General Convention to Improve the Means of Preventing War" seems fairly to represent the substance of the articles of the draft.

The Committee also proposes that the first paragraph of the preamble should be worded as follows:

"Being sincerely desirous of developing mutual confidence by increasing the efficacy of the means of preventing war . . ."

*Ad Article 1. — Conservatory Measures of a Non-military Character.*

As in the preliminary draft drawn up by the Committee on Arbitration and Security, Article 1 of the Convention deals with conservatory measures of a non-military character.

The Committee has added to the first paragraph of the preliminary draft of the Committee on Arbitration and Security, to which only slight drafting amendments have been made, a second paragraph which received general approval when proposed by the Netherlands delegation in the Third Committee of the last Assembly. According to this paragraph, the Council "shall fix the period of duration of these conservatory measures" and "may extend this period should circumstances render it necessary".

On this question of the duration of the measures, the Committee shares the view expressed in the report of the Committee on Arbitration and Security that it would be impossible in a general convention to fix a maximum period of duration which would be applicable in all the possible contingencies, since these might take the most varied forms. It must be left to the Council's judgment to fix the period, and the Council must be able to extend it should circumstances render it necessary.

*Ad Article 2. — Conservatory Measures of a Military Character.*

The first question which the Committee had to consider was that of the sphere of application of the Convention as regards conservatory measures of a military character. Should they apply to cases of war and threats of war which are referred to in the first paragraph of Article 11 of the Covenant, or should they only apply to cases of a threat of war? During the exchange of views which took place in this connection in the Committee, it was pointed out that, as it was a question of conservatory measures intended to prevent war, it would appear somewhat illogical that the Convention should apply in the case of war. Three articles of the Covenant deal with the case of war—Articles 11, 16 and 17. The powers and duties of the Members of the League and of the Council are defined in these Articles, which will be applied should occasion arise. The Committee accepted this point of view and decided to refer in Article 2 only to the case of a threat of war.

The Committee thought it advisable to limit the conservatory measures provided for in Article 2: (1) to the withdrawal of the land or naval forces having entered the territory or waters of a contracting party or a zone demilitarised in virtue of international agreements, and (2) to the fixing by the Council, if it thinks necessary, of lines which must not be passed by the land, naval or air forces of the parties to the dispute and, where necessary in order to avoid incidents, by their civil aircraft.

The measures of the first category are dealt with in the first paragraph of Article 2. It was understood that those measures should be taken without delay. In this provision, the words "waters of Contracting Party" are not to be interpreted in their technical sense. The point is to deal with a threat of war and consequently to prevent the immediate danger of an armed conflict. Furthermore, although air forces are not expressly mentioned in this paragraph, it goes without saying that they must withdraw in the same manner as the land or naval forces which they have accompanied.

The measures of the second category are dealt with in paragraphs 2, 3, 4 and 5 of the said Article.

It is obviously impossible in a general convention to lay down stipulations providing for all the particular cases which may arise. The Council will determine within the limits of the Convention the details of the measures which it may prescribe. It will only recommend to the parties measures which are useful and practicable.

With regard to these measures, the French delegation explained that the "necessity" referred to in the second paragraph of Article 2 relates to the impossibility of contacts between the armed forces, and that the existence of a zone demilitarised in virtue of international agreements is sufficient to answer to this necessity. The German delegation stated that it was "necessary" to avoid, not only contact between the armed forces, but also "incidents" of all kinds on the frontiers of the contracting parties concerned.

As regards civil aircraft, the Committee only provided for the prohibition, as far as might be necessary, of the crossing by civil aircraft of the parties to the dispute of the lines fixed by the Council. Naturally, this clause does not affect each party's right, notably in case of a threat of war, to announce, in conformity with existing regulations, that it forbids foreign aircraft to fly over certain zones of its territory.

As regards the actual fixing of the lines which the forces must not pass, the Committee proposes the following procedure: The Council will endeavour to fix them in common agreement with the parties to the dispute. Failing such an agreement it shall fix them with the consent of the party whose forces are affected, provided always that this does not involve the withdrawal of the forces further back than the exterior lines of the defence organisations existing on the frontier of the contracting parties concerned at the time when the Council takes its decision, and that the lines do not involve the abandonment of any other work, position or line of communication essential to the security or the supplies of the party concerned. The Committee was of opinion that the formula "essential work, position or line of communication" was sufficiently wide to include natural lines of defence and vital points.

In view of the fact that Article 2 applies to the case of threats of war, and that the Council must therefore take urgent action, the Convention lays down that it shall in every case rest with the Council to determine the period within which the said lines shall be fixed under the conditions specified above.

On the German delegation's proposal, the Committee decided to add to Article 2 a last paragraph under which the contracting parties agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents.

The Committee thinks that it has thus solved as far as possible the difficulties which have prevented the Committee on Arbitration and Security from reaching a single text.

In its observations, which have been forwarded to the Committee, the Austrian Government pointed out that "the creation of demilitarised zones would in its opinion constitute one of the most effective means of preventing the outbreak of hostilities". The British delegation expressed its sympathy with this point of view. But the Committee considered that it could not propose the generalisation of the system of permanent demilitarised zones in a general convention. It did not think it possible to recommend measures going further than the creation of a temporary demilitarised zone, subject to the conditions laid down in Article 2, It will always be open to two parties to create between them by agreement a demilitarised zone.

Nor did the Committee think it advisable to lay down in the Convention other conservatory measures than those indicated above. It thought that the Convention should be limited to the measures which in case of danger of war would appear the most urgent. The Polish delegation would have wished that it were possible to insert in the Convention another category of conservatory measures. Its proposal not having been accepted, the Polish delegation asked that the following declaration should figure in the present report :

"The Polish delegation proposed in its communication of May 11th, which was circulated to you at the beginning of our proceedings, that, in case of a threat of war, the Council should be able to recommend in the first instance to the contracting parties concerned that they should immediately put an end to any violation of an international obligation. The draft Convention prepared by the Drafting Committee provides only for certain particular cases of a flagrant breach of international engagements and gives the Council the necessary powers to put an end to violations of this kind. The Polish delegation desired to go further in this direction by authorising the Council to intervene in all cases of a violation of an international obligation, if this violation could constitute a peril to world peace. Our proposal met with the support in principle of nearly all the members of the Committee and was referred to the Drafting Committee.

"In the latter Committee, the Polish delegation found that the wording of this proposal seemed to the members of the Drafting Committee to have too general a character. By way of compromise, it therefore restricted the scope of its suggestion by specifying that it referred particularly to obligations connected with disarmament, these being of primary importance for the maintenance of peace. Despite this modification, and although the principle of our proposal was hardly contested by anyone, the Drafting Committee came to the conclusion that the present Convention, which only constitutes a first and modest step towards the development of the means of preventing war, could not include the idea which we had suggested. In the Drafting Committee's opinion, our proposal might be taken into consideration later and on another occasion.

"The Polish delegation continues, however, to think that the problem referred to in its proposal is of capital importance from the point of view of the prevention of war and of the maintenance of international order and that it should have constituted the pivot of the whole Convention, the other provisions having only a supplementary character. The text of the Convention which has been submitted to us by the Drafting Committee and which contains no trace of our suggestion cannot therefore be regarded by our Government as a truly effective means of preventing war. The provisions which we have before us do not appear to improve the present state of international security, since they do nothing more than consecrate the methods which have already been applied by the Council and which would be better placed in regulations relative to the Council's action in preventing the contact of the troops of adjacent countries in times of a threat of war. This observation applies in particular to Article 2, which contains, for example, a paragraph introduced on a German proposal and worded as follows :

"The High Contracting Parties further agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents."

"By inserting in the Convention provisions which are so self-evident and which are the outcome of previous obligations, the execution of the Briand-Kellogg Pact, among others, is unintentionally subordinated to the new conditions, which will perhaps not be without harmful effect on the prestige of these obligations.

"We do not desire to continue the discussion on the subject, for this would unduly prolong our proceedings, which, according to the general desire, are to conclude to-morrow. The Polish delegation nevertheless feels it its duty to declare that it reserves the right to raise the same question again at the Assembly of the League of Nations and at the Disarmament Conference. We shall then revert to our proposal ; for we are convinced that only a convention giving special powers to the Council to prevent the violation of international obligations can constitute a really useful instrument for the maintenance of peace and bring about an appreciable progress in the general organisation of international security."



The Yugoslav delegation endorsed the Polish delegation's point of view in so far as concerns disarmament obligations, and the French delegation, while expressing its regret that no provision would be inserted in the text of the Convention concerning the respect of the status of armaments resulting from international obligations, accepted the general opinion of the Committee that the question was foreign to the purpose of the Convention. The British delegation stated that, while it considered that the Polish proposal could find no place in the Convention as conceived by it, it desired to express its sympathy with this proposal, the examination of which might usefully be resumed on another occasion.

Ad Article 3. — *Supervision.*

The Committee was able to arrive at a single text in regard to the supervision of the execution of the measures laid down by the Council. Agreement was reached between those in favour of supervision in all cases and those in favour of supervision only in cases where this was considered expedient by the Council, on the following lines : the Council will appoint commissioners for the sole purpose of verifying on the spot the execution of the conservatory measures of a military character recommended by it under the conditions specified in Article 2, either if it thinks fit or if one of the parties to the dispute so requests.

In order to afford any parties which may consider it necessary, a guarantee that the measures will be supervised, and at the same time to prevent one of the parties from unnecessarily delaying the execution of those measures by alleging that the commissioners have not arrived on the spot, the Committee proposes : (1) That the request that commissioners should be sent may not be made by a party after the Council has taken one of the decisions referred to in Article 2 ; and (2) that, in arranging for the execution of the measures prescribed, the Council may, on the application of a contracting party a party to the dispute, accompanied by a statement of reasons, arrange for this execution to coincide, as far as it considers this necessary, with the arrival of the commissioners on the spot.

In order to take into account the legitimate pre-occupations of national security, it was decided that the inspection of the commissioners on the spot should be carried out for the sole purpose of verifying the withdrawal of the forces. They may not inspect military works or establishments for any other purpose, and naval or air bases will in every case be exempted from this inspection.

For the purpose of furnishing supplementary guarantees to the contracting parties and also with a view to the rapid application of the measures of supervision, if necessary, it is proposed that the rules to be followed for the constitution and working of commissions of control should be embodied in executive regulations which will be prepared by the competent organs of the League so as to enter into force at the same time as the present Convention.

Ad Article 4. — *Sanctions.*

The question of sanctions had been an even more serious obstacle than the question of supervision to the acceptance by the Committee on Arbitration and Security of a single text. The present Committee distinguished between two kinds of sanctions : (1) sanctions intended to ensure the execution of the Convention in cases where a contracting party violated the conservatory measures of a military character which it had undertaken to accept in accordance with Article 2, and (2) sanctions applicable to cases of recourse to war resulting from this violation.

As regards the measures to be taken in the first case, the Polish delegation proposed the following text : " If any violation of the measures defined in Article 2 is noted by the Council and continues in spite its injunctions, the Council shall consider what means of all kinds are necessary to ensure the execution of the present Convention. The High Contracting Parties shall in such case lend their assistance to the Council."

In the second case (resort to war following the violation of the conservatory measures of a military character), the French delegation proposed to the Committee on Arbitration and Security a text providing that, under certain conditions, the contracting parties would consider the action so taken as a flagrant and unprovoked act of aggression and as a resort to war within the meaning of Article 16 of the Covenant.

The Committee adopted a compromise proposal made by the British delegation to delete from the Polish proposal the clause to the effect that the contracting parties would lend their assistance to the Council in the event of violation maintained despite its injunctions, and to provide that, if war broke out as a consequence of this violation, they would regard the said violation as *prima facie* evidence that the guilty party had resorted to war within the meaning of Article 16 of the Covenant.

In speaking of *prima facie* evidence (*présomption*), the Committee had in mind a mere presumption (*présomption simple*) which does not preclude proof in refutation.

The Netherlands delegation pointed out that two different views might be taken of this latter proposal : either that the provision increased the obligation laid down in Article 16 of the Covenant or that it left the question of the application of that Article intact.

In the first case, the Netherlands delegation held that this provision would not be in conformity with Article 16 of the Covenant, which left Members of the League free to decide whether the Covenant had been violated. In the second case, the Netherlands delegation was of opinion that a provision of this kind should not be incorporated in the Convention,

but might be inserted in the preamble, preferably in the form adopted in the conclusions of the Third Committee of the Assembly, which considered " that it should be understood that the question of the methods of applying Article 16 of the Covenant would remain intact, and that, on the other hand, the proposed Convention would result in facilitating such application ".

The British delegation pointed out, and the Committee, with the exception of the Netherlands delegation, agreed with this view, that the text proposed by it, in the event of war following on a violation of the conservatory measures, fully met the wishes expressed by the Assembly. On the one hand, the question of the methods of application of Article 16 of the Covenant was left intact. In the case of resort to war, the Members of the League had the power and the duty to decide whether the obligations laid down in the Covenant had been violated. On the other hand, it could not be said that, if war broke out as a consequence of a violation of the obligations freely undertaken by a party in the proposed Convention, this violation did not furnish evidence—" *prima facie* evidence " to use the legal term—that the said party had resorted to war within the meaning of Article 16 of the Covenant. The Committee considered that the adoption of this provision would make it possible to give States parties to a dispute a solemn warning of the consequences of any ill-considered action on their part. By inserting the second paragraph in Article 4 of the Convention, the Committee would appear to have complied with the task entrusted to it by the Assembly : to leave the question of the methods of application of Article 16 of the Covenant intact and to make it clear that the proposed Convention would facilitate this application.

The Netherlands delegation made a reservation in regard to this second paragraph. The German delegation stated that it was reluctant to borrow the term " *prima facie* evidence ", used in civil procedure, for the purpose of inserting it in the text of an international convention. It was afraid that the result would be to " mechanise " the system laid down in Article 16 of the Covenant.

*Ad Article 6. — Question of the Publicity of the Proceedings, Decisions and Recommendations of the Council.*

The Swedish Government, in the observations which it forwarded to the Committee, drew up the following draft Article as a basis for discussion :

" The High Contracting Parties undertake to give wide publicity, in the cases referred to in Article 2 of the present Convention, to the Council's recommendations for the maintenance of peace and the settlement of the dispute, and to the statements on the dispute published by the Council.

" They further undertake to endeavour, so far as their national laws permit, to suppress all verbal or written propaganda designed to prevent a peaceful settlement of the crisis. "

The Committee thought it desirable to retain the suggestion in the first paragraph of the Swedish proposal with certain modifications. It desired in particular to leave it to the Council to decide on the information in regard to which it would be desirable to ensure publicity. The essential object of the Article is to prevent public opinion's receiving information from one side only.

As regards the proposal contained in paragraph 2, the Committee considered that it could not be inserted in the Convention in view of the wide diversity between national Press laws and the absence of common legislation.

The Committee suggested that the question might be laid before the Assembly, and the Polish delegation submitted the following recommendation :

" The Special Committee,

" Being aware of the danger which, in the event of an international crisis, may arise from irresponsible Press campaigns and publicity given in the Press to inaccurate or tendentious information ;

" Recognising that aggressive propaganda against a foreign Power may in certain circumstances constitute a veritable threat to the peace of the world ;

" Requests the Assembly to consider this problem and examine the possibilities of finding a solution. "

*Article 7* reads as follows :

" The provisions of the present Convention shall only apply as between the High Contracting Parties. "

The Finnish Government, noting that " Article 11 of the Covenant and various other passages of that instrument also provide for intervention by the League of Nations in disputes not confined to Members of the League ", proposed to submit for examination " the question as to whether Article 1 (of the draft Convention) should not be amended so as to apply if necessary, *mutatis mutandis*, to cases in which the League's organs may have to take cognisance of a dispute or threat of war also affecting non-member States ". Further, in connection with Article 5 of the preliminary draft of the Committee on Arbitration and Security (Article 7 of the draft Convention), the Finnish Government " desired to repeat its observations concerning Article 1 . . . . "

Obviously, it is legally impossible for the provisions adopted between the contracting States to have effects in regard to third States, whether Members of the League or not. The Committee, however, desires to point out that the case of a dispute affecting a State not a member of the League is referred to in Article 17 of the Covenant and that, moreover, States not members of the League may, if they so desire, accede to the proposed Convention. Article 9 of the draft put forward by the Committee provides for the communication of the Convention to non-member States. They may either sign it (Article 9) or accede to it (Article 11).

*Ad Article 12.*

The Committee did not think itself authorised to indicate the number of Members of the League of Nations or non-member States whose ratifications or accessions would be necessary for the entrance into force of the Convention. In its opinion, it is for the Assembly to take a decision on this point.

*Ad Article 14.*

The last paragraph of Article 14 regarding the effects of a denunciation of the Convention by a contracting party is based on precedents on this point.

The British delegation expressed the opinion that the text of this paragraph should be taken to mean that such denunciation will only affect the rights and duties under this Convention of the party denouncing, but, with respect to that party, will put an end to all such rights and duties one year after the date of denunciation. The Committee unanimously accepted this interpretation.

\* \* \*

The Committee ventures to express the hope that the Members of the League will think it desirable to give their delegates to the Assembly the necessary instructions to decide on the text of the draft General Convention. Governments which are disposed in principle to accept it will no doubt also consider that it might be advisable to give their delegates the necessary powers to sign the Convention, should it be approved by the Assembly.

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## 2. GENERAL CONVENTION TO IMPROVE THE MEANS OF PREVENTING WAR.

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[Names of the High Contracting Parties.]

Being sincerely desirous of developing mutual confidence by increasing the efficacy of the means of preventing war,

Noting that, for this purpose, the task of the Council of the League of Nations in ensuring peace and conciliation might be facilitated by undertakings assumed voluntarily in advance by the States,

Have decided to conclude a Convention and have for that purpose appointed as their plenipotentiaries:

[Designation of Plenipotentiaries.]

Who, having deposited their full powers found in good and true form, have agreed as follows :

### *Article 1.*

The High Contracting Parties undertake, in the event of a dispute arising between them and being brought before the Council of the League of Nations, to accept and apply the conservatory measures of a non-military nature relating to the substance of the dispute which the Council, acting in accordance with the powers conferred upon it by the Covenant of the League of Nations, may recommend with a view to preventing the aggravation of the dispute.

The Council shall fix the period of duration of these conservatory measures. It may extend this period should circumstances render it necessary.

### *Article 2.*

In the event of a threat of war, the High Contracting Parties parties to the dispute shall comply without delay with such measures as the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, and without prejudice to the other powers it derives from that Article, may prescribe to ensure the withdrawal of the land or naval forces of that High Contracting Party which has entered the territory or territorial waters of another High Contracting Party, or a zone demilitarised in virtue of international agreements.

Further, should the Council deem it necessary to fix lines which must not be passed by their land, naval or air forces and, where necessary in order to avoid incidents, by their civil aircraft, the High Contracting Parties undertake to comply with the Council's recommendations in this matter.

The lines referred to in the previous paragraph shall, if possible, be fixed by agreement with the parties to the dispute.

Failing such agreement, the Council shall fix the lines with the consent of the party whose forces are affected, provided always that this does not involve the withdrawal of the forces further back than the exterior lines of the defence organisations existing on the frontier of the High Contracting Parties concerned at the time when the Council of the League of Nations takes its decision, and that the lines do not involve the abandonment of any other work, position or line of communication essential to the security or the supplies of the party concerned.

It shall in every case rest with the Council to determine the period within which the said lines shall be fixed under the conditions specified above.

The High Contracting Parties further agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents.

### *Article 3.*

The Council shall, if it thinks fit, or if one of the parties to the dispute so requests before the Council has reached any of the decisions referred to in Article 2, appoint commissioners for the sole purpose of verifying on the spot the execution of the conservatory measures of a military character recommended by the Council under the conditions specified in the preceding Article.

When regulating the execution of the measures it has prescribed, the Council shall, at the reasoned request of a High Contracting Party which is a party to the dispute, cause that execution to coincide with the arrival of the commissioners on the spot, so far as it may think necessary.

The High Contracting Parties undertake to afford these commissioners every facility for the performance of their duties.

The commissioners may not make a more extensive inspection than is necessary to enable them to carry out the duty defined in paragraph 1. Nor may they make any inspection of a naval or air base, nor may they inspect military works or establishments for any purpose other than to verify the withdrawal of the forces.

The rules to be followed for the composition and working of commissions of control shall be embodied in executive regulations which shall be prepared by the competent organs of the League of Nations so as to enter into force at the same time as the present Convention.

*Article 4.*

If any violation of the measures defined in Article 2 is noted by the Council and continues in spite of its injunctions, the Council shall consider what means of all kinds are necessary to ensure the execution of the present Convention.

Should war break out as a consequence of this violation, such violation shall be regarded by the High Contracting Parties as *prima facie* evidence that the party guilty thereof has resorted to war within the meaning of Article 16 of the Covenant.

*Article 5.*

In the cases referred to in Articles 1, 2, 3 and 4, the Council's decisions and recommendations shall, except as otherwise provided in those Articles, be binding for the purposes of the present Convention, provided that they are concurred in by all the Members other than the parties to the dispute.

*Article 6.*

The High Contracting Parties undertake to provide, by the means at their disposal, such publicity as the Council may recommend for its proceedings, decisions and recommendations when a dispute is brought before it in the cases contemplated by the present Convention.

*Article 7.*

The provisions of the present Convention shall only apply as between the High Contracting Parties.

*Article 8.*

The present Convention may not be interpreted as restricting the task or the powers of the Council of the League of Nations as laid down in the Covenant.

*Article 9.*

The present Convention shall remain open until ..... for signatures on behalf of any Member of the League of Nation or of any non-member State to which the Council of the League of Nations has communicated a copy of the Convention for this purpose.

*Article 10.*

The present Convention is subject to ratification. Ratifications shall be deposited with the Secretariat of the League of Nations.

The Secretary-General shall give notice of the deposit of each ratification to the Members of the League of Nations and to the non-member States mentioned in Article 9, indicating the date of its deposit.

*Article 11.*

As from ..... (date), any Member of the League of Nations and any non-member State mentioned in Article 9 on whose behalf the Convention has not been signed before that date may accede thereto.

Accession shall be effected by an instrument deposited with the Secretariat of the League of Nations. The Secretary-General of the League of Nations shall give notice of each accession to the Members of the League of Nations and to the non-member States mentioned in Article 9, indicating the date of the deposit of the instrument.

*Article 12.*

A *procès-verbal* shall be drawn up by the Secretary-General of the League of Nations as soon as ratifications or accessions on behalf of ..... Members of the League of Nations or non-member States have been deposited.

A certified copy of this *procès-verbal* shall be sent by the Secretary-General of the League of Nations to each Member of the League of Nations and to each non-member State mentioned in Article 9.

*Article 13.*

The present Convention shall enter into force on the ninetieth day after the date of the *procès-verbal* mentioned in Article 12 as regards all Members of the League of Nations or non-member States on whose behalf ratifications or accessions have been deposited on the date of the *procès-verbal*.

As regards any Member of the League or non-member State on whose behalf a ratification or accession is subsequently deposited, the Convention shall enter into force on the ninetieth day after the date of the deposit of a ratification or accession on its behalf.

Each of the High Contracting Parties shall have the right to inform the Secretary-General of the League of Nations at the moment of the deposit of his ratification or of the notification of his accession, to the exclusion of all other reservations, that he makes the entry into force of the Convention, in so far as he is concerned, conditional on ratification or accession on behalf of certain countries named by him.

*Article 14.*

The present Convention may not be denounced before the expiration of five years from its coming into force in accordance with Article 13.

Denunciation shall be effected by a notification in writing addressed to the Secretary-General of the League of Nations, who shall inform all Members of the League of Nations and the non-member States mentioned in Article 9.

Each denunciation shall take effect one year after the receipt by the Secretary-General of the notification, but only as regards the High Contracting Party on whose behalf it has been notified.

*Article 15.*

The present Convention shall be registered by the Secretary-General of the League of Nations as soon as it has entered into force.

*Article 16.*

The French and English texts of the present Convention shall both be authoritative.

IN FAITH WHEREOF the above-mentioned Plenipotentiaries have signed the present Convention.

DONE at ..... on the ..... in a single copy, which shall be deposited in the archives of the Secretariat of the League of Nations, and of which certified true copies shall be transmitted by the Secretary-General to all the Members of the League of Nations and to any non-member State to which the Council of the League of Nations has decided to communicate a copy of the present Convention, in accordance with Article 9.

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[Distributed to the Council  
and the Members of the League.]

Official No. : **C. 395. M. 158.** 1931. VII.  
[C.E.U.E./3rd Session/P.V.]

Geneva, June 25th, 1931.

LEAGUE OF NATIONS

**COMMISSION OF ENQUIRY  
FOR EUROPEAN UNION**

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**MINUTES**

OF THE

**THIRD SESSION OF THE COMMISSION**

*Held at Geneva from May 15th to 21st, 1931.*

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Series of League of Nations Publications

VII. POLITICAL ✓

1931. VII. 7.

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LIST OF MEMBERS.

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*President* : His Excellency M. Aristide BRIAND,  
Minister for Foreign Affairs (France).

*Albania* :

M. Lec KURTI, Resident Minister, Permanent Delegate accredited to the League of Nations.

*Austria* :

His Excellency Dr. Johannes SCHÖBER, Vice-Chancellor of the Austrian Republic, Minister for Foreign Affairs.

His Excellency M. Emerich PFLÜGL, Envoy Extraordinary and Minister Plenipotentiary, Permanent Austrian Representative accredited to the League of Nations.

*Belgium* :

His Excellency M. Paul HYMANS, Minister for Foreign Affairs.

M. Fernand J. VAN LANGENHOVE, Secretary-General of the Ministry for Foreign Affairs.

*British Empire* :

The Right Honourable Arthur HENDERSON, M.P., Secretary of State for Foreign Affairs.

Sir Walford SELBY, C.B., C.M.G.

Professor P. J. Noel BAKER, M.P.

Sir William MALKIN, K.C.M.G., C.B., K.C.

The Honourable Alexander CADOGAN, C.M.G.

Sir Sydney CHAPMAN, K.C.B.

Sir Arthur WILLERT, K.B.E.

Mr. E. H. CARR, C.B.E.

Mr. L. ROBERTSON-FULLARTON.

*Bulgaria* :

His Excellency M. Bogdan MORFOFF, Bulgarian Minister in Paris.

M. Dimitri MIKOFF, Chargé d'Affaires in Switzerland, Permanent Bulgarian Representative accredited to the League of Nations.

*Czechoslovakia* :

His Excellency Dr. Eduard BENEŠ, Minister for Foreign Affairs.

His Excellency Dr. Kamil KROFTA, Envoy Extraordinary and Minister Plenipotentiary, Secretary-General to the Ministry for Foreign Affairs.

*Denmark* :

His Excellency Dr. Peter MUNCH, Minister for Foreign Affairs.

His Excellency Dr. Laust MOLTESEN, former Minister for Foreign Affairs.

M. William BORBERG, Permanent Danish Delegate accredited to the League of Nations.

M. E. WAERUM, Chief of Section at the Ministry for Foreign Affairs.

*Estonia* :

His Excellency M. Auguste SCHMIDT, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

*Finland* :

His Excellency Baron A. S. YRJÖ-KOSKINEN, Minister for Foreign Affairs.

His Excellency M. Rudolf HOLSTI, Envoy Extraordinary and Minister Plenipotentiary at Berne, Permanent Delegate accredited to the League of Nations.

M. Evald GYLLENBÖGEL, Counsellor of Legation at Berne and of the Permanent Delegation accredited to the League of Nations.

M. Paivo TARJANNE, Secretary at the Ministry for Foreign Affairs.

*France* :

His Excellency M. Aristide BRIAND (*President*), Minister for Foreign Affairs.

His Excellency M. FRANÇOIS-PONCET, Under-Secretary of State in the Prime Minister's Department.

*Germany :*

Dr. Julius CURTIUS, Minister for Foreign Affairs.  
Dr. Friedrich GAUS, Director at the Ministry for Foreign Affairs.  
Dr. RITTER, Director at the Ministry for Foreign Affairs.  
Dr. H. E. POSSE, Director at the Ministry of Commerce.  
Dr. ZEHLIN, Director of the Press Department.  
Baron WEIZSÄCKER, Privy Councillor.  
M. WOERMANN, Counsellor of Legation.

*Greece :*

His Excellency M. A. MICHALAKOPOULOS, Vice-President of the Council of Ministers, Minister for Foreign Affairs.  
His Excellency M. N. POLITIS, former Minister for Foreign Affairs, Minister of Greece in Paris.  
M. E. TSOUDEROS, former Minister of Finance, Deputy-Governor of the Bank of Greece.  
M. R. RAPHAËL, Permanent Delegate accredited to the League of Nations.  
M. B. P. PAPADAKIS, Chief of the League of Nations Office at the Ministry for Foreign Affairs.

*Hungary :*

His Excellency Count Jules KAROLYI, Minister for Foreign Affairs.  
His Excellency General Gabriel TÁNCZOS, former Minister for Foreign Affairs.  
His Excellency M. Alfred DE NICKL, Envoy Extraordinary and Minister Plenipotentiary.  
Baron Gabriel APOR, Counsellor of Legation, Political Director at the Ministry for Foreign Affairs.  
M. Jean PELENYI, Resident Minister, Chief of the Hungarian Delegation accredited to the League of Nations.  
M. Izsó FERENCZI, Under-Secretary of State at the Ministry of Commerce.  
M. Tibor PECHY, Ministerial Counsellor at the Ministry of Agriculture.  
M. Alexandre ANTALFFY, Secretary at the Ministry of Agriculture.

*Irish Free State :*

The Honourable Patrick MACGILLIGAN, Minister for Foreign Affairs.  
M. Sean LESTER, Permanent Delegate accredited to the League of Nations.

*Italy :*

His Excellency M. Dino GRANDI, Minister for Foreign Affairs.  
His Excellency M. Giuseppe DE MICHELIS, Ambassador, Senator.  
M. Agco ARCANGELI, Member of the Chamber of Deputies, Representative of the Agricultural Corporation.

*Latvia :*

His Excellency M. Jules FELDMANS, Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.

*Lithuania :*

His Excellency Dr. ZAUNIUS, Minister for Foreign Affairs.  
His Excellency M. P. KLIMAS, Lithuanian Minister in Paris.

*Luxemburg :*

His Excellency M. Joseph BECH, Minister of State, Prime Minister, Minister for Foreign Affairs.  
M. Albert WEHREB, Doctor of Law, Governmental Adviser.

*Netherlands :*

His Excellency Jonkheer F. BEELAERTS VAN BLOKLAND, Minister for Foreign Affairs.  
Professor J. P. A. FRANÇOIS, Chief of the League of Nations Section at the Ministry for Foreign Affairs.  
Dr. J. A. NEDERBRAGT, Director of Economic and Commercial Affairs at the Ministry for Foreign Affairs.

*Norway :*

His Excellency M. Birger BRAADLAND, Minister for Foreign Affairs.  
His Excellency M. Erik COLBAN, Norwegian Minister in Paris.  
M. Rolf ANDVORD, Chief of Division at the Ministry for Foreign Affairs.  
M. Rolf ANDERSEN, Secretary at the Ministry for Foreign Affairs.

*Poland :*

- His Excellency M. Auguste ZALESKI, Minister for Foreign Affairs.  
His Excellency M. François SOKAL, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.  
His Excellency M. Marjan SZUMLAKOWSKI, Envoy Extraordinary and Minister Plenipotentiary, Director of the Bureau of the Minister for Foreign Affairs.  
His Excellency M. A. MUHLSTEIN, Minister Plenipotentiary, Counsellor of Embassy in Paris.  
M. SOKOLOWSKI, Director of Department at the Ministry of Commerce and Industry.  
M. A. ROMAN, Economic Counsellor at the Ministry for Foreign Affairs.  
M. LECHNICKI, Deputy-Director of the Western Division at the Ministry for Foreign Affairs.  
M. Thadée GWIAZDOWSKI, Counsellor of Legation at the Permanent Delegation accredited to the League of Nations.

*Portugal :*

- His Excellency Dr. Augusto DE VASCONCELLOS, former Prime Minister, former Minister for Foreign Affairs, Envoy Extraordinary and Ministry Plenipotentiary, Director of the Portuguese Service accredited to the League of Nations.  
Dr. José Lobo D'AVILA LIMA, Professor at the University of Lisbon, Legal Adviser at the Ministry for Foreign Affairs.

*Roumania :*

- His Excellency M. Nicolas TITULESCO, Envoy Extraordinary and Minister Plenipotentiary, former Minister for Foreign Affairs.  
His Excellency M. Constantin ANTONIADE, Envoy Extraordinary and Minister Plenipotentiary accredited to the League of Nations.  
M. Cesar POPESCU, General Director at the Ministry of Industry.

*Spain :*

- His Excellency M. Alejandra LERROUX, Minister for Foreign Affairs.  
M. Julio López OLIVÁN, Chief of the Political Section at the Ministry for Foreign Affairs.  
M. Fernando Ramirez DE VILLAUERRUTIA, Secretary of Embassy.  
M. Francisco BERNIS CARRASCO, Secretary-General of the Supreme Banking Council.

*Sweden :*

- His Excellency Baron S. G. F. T. RAMEL, Minister for Foreign Affairs.  
His Excellency M. K. I. WESTMAN, Envoy Extraordinary and Minister Plenipotentiary at Berne.  
M. E. C. BOHEMAN, Director of Political Affairs at the Ministry for Foreign Affairs.  
M. P. G. A. WLJKMAN, First Secretary at the Ministry for Foreign Affairs.

*Switzerland :*

- His Excellency M. Giuseppe MOTTA, Federal Councillor, Head of the Political Department.  
M. G. BACHMANN, President of the Governing Board of the National Bank of Switzerland.  
M. H. BLAU, Director of the Federal Department of Taxation.  
M. HOTZ, Assistant Director of the Commercial Section.  
M. Camille GORGÉ, Head of Section in the Political Federal Department.

*Yugoslavia :*

- His Excellency M. Voïslav MARINKOVITCH, Minister for Foreign Affairs.  
His Excellency M. Ilija CHOUMENKOVITCH, Envoy Extraordinary and Minister Plenipotentiary, Permanent Delegate accredited to the League of Nations.  
His Excellency M. Constantin FOTITCH, Envoy Extraordinary and Minister Plenipotentiary, Director of Political Affairs at the Ministry for Foreign Affairs.  
Dr. Ivan PERNÉ, Chief of Section at the Ministry for Foreign Affairs.  
Dr. Milan TODOROVITCH, Professor at the University of Belgrade.  
M. Bogidar KOVATCHEVITCH, Chef de Cabinet to the Minister for Foreign Affairs.



GOVERNMENTS INVITED.

*Iceland :*

His Excellency M. Sveinn BJOERNSSON, Minister at Copenhagen.

*Union of Soviet Socialist Republics :*

- M. LITVINOFF, People's Commissar for Foreign Affairs.
- M. Léon KHINTCHUK, Ambassador Extraordinary and Minister Plenipotentiary of the Union of Soviet Socialist Republics at Berlin.
- M. Boris STEIN, Chief of Department in the People's Commissariat for Foreign Affairs.
- M. Vladimir SOKOLINE, Deputy, Chief of Department in the People's Commissariat for Foreign Affairs.
- M. Boris ROSENBLUM, Deputy-Chief of Department in the People's Commissariat for Foreign Affairs, Expert Legal Adviser.
- M. Michel ZALETINE, Secretary.

*Turkey :*

- His Excellency Dr. Tevfik ROUCHDY Bey, Minister for Foreign Affairs.
- Mustapha CHEREH Bey, Minister of National Economy.
- HASSAN Bey, Vice-President of the Grand National Assembly.
- CEVAT Bey, Director-General at the Ministry for Foreign Affairs.
- SUPHI ZIYA Bey, Political Counsellor at the Ministry for Foreign Affairs.
- SUPHI Bey, Managing Director of the Agricultural Bank of Turkey.

OBSERVERS.

*China :*

- His Excellency Dr. Woo KAISENG, Minister Plenipotentiary, Director of the Permanent Office of the Chinese Delegation to the League of Nations.
- M. C. N. LOU, Secretary of Embassy.

*Canada :*

- M. P. E. RENAUD, Secretary at the Canadian Office.
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FIRST MEETING (PRIVATE, THEN PUBLIC).

*Held on Friday, May 15th, 1931, at 11 a.m.*

*Chairman : M. Aristide BRIAND (France).*

17. Adoption of the Agenda of the Session.

The CHAIRMAN [*Translation*]. — The Commission of Enquiry has before it the provisional agenda (Annex 1) drawn up by the Organisation Sub-Committee. Since the provisional agenda was prepared, two proposals have been received, one from the German Government (Annex 2), the other from the Italian Government (Annex 3). I suggest that they should be added to Part III of the agenda.

*The provisional agenda, as amended, was adopted.*

(The Commission went into public session.)

18. Opening of the Session.

The CHAIRMAN [*Translation*]. — In declaring open the third session of the Commission of Enquiry for European Union I offer you all a very hearty welcome and, as Chairman, I would remind you of the decisions taken four months ago and the work done since then to carry them out.

In January we decided by common agreement to study, first and foremost, the economic crisis, not that that crisis is our only object, but because, at the present juncture, it both constitutes the most direct menace to European harmony and is the most conspicuous sign of the inorganic condition of Europe, to which we all feel it is urgently necessary to put an end.

In the programme of work that has been drawn up the first place has of set purpose been given to the study of the world economic depression, in so far as it affects Europe as a whole. Of set purpose again, before starting our enquiries we decided to hear a statement by the President of the Conference with a view to Concerted Economic Action concerning the efforts made since 1927 in the economic field. The work achieved in this matter by the League still remains the basis of the work of the Commission of Enquiry for European Union. The results achieved, the inevitable postponements, even the reverses that have been sustained are a lesson which we cannot disregard.

As the problem is one that, according to our definition, concerns Europe as a whole, we were anxious that Europe as a whole should be summoned to take part in our discussions, and for this purpose we have made use of the right conferred on us by the Assembly in its resolution of September 17th, 1930, and invited the European States non-members of the League to our table.

Our programme is a general one, and we have mapped out its main lines. Within the four corners of that programme place has logically been found for a more definite programme, one capable of more immediate accomplishment, connected with one of the individual and regional aspects of the economic slump. I refer to the agricultural depression in the Central and Eastern European countries. There was reason to hope that a prompt remedy could be found for the crisis by studying either the most suitable means for overcoming the stagnation on the grain market or by studying the question of organising credits, whereby the burdens that agriculture has at present to bear in many countries might be lightened.

The work which the Commission contemplated with this aim in view has proceeded normally in accordance with the programme we drew up. The time-limits we fixed have been observed. Thus, a meeting for the disposal of the 1930 grain stocks was held from February 23rd to 25th ; the European Committee set up to enquire into the problem of the exportation of the surplus of future grain harvests met on February 26th ; the European Committee appointed to consider the organisation of an international agricultural credit institute met on April 20th and May 13th.

Of these meetings, the first two perhaps have not entirely fulfilled the hopes placed in them by the States concerned. Who however would dare to argue that they were useless ? The Committee which met on February 23rd achieved one important result in bringing out the fact that the non-European countries have nothing to fear in the way of competition from the grain stocks in the Danubian countries and that accordingly we can continue our work without giving cause for any alarm elsewhere. This fact has done much to facilitate the co-operation which, to our great satisfaction, materialised later at the International Conference in Rome between the agricultural countries of the various continents ; that co-operation will be seen again at a fresh meeting a few days hence and, we hope, will lead to a general understanding.

Nor can it be asserted that the discussions in the Committee which met on February 26th, as to preferential treatment for the grain of the Danubian countries, have not helped to clarify our ideas on this very controversial subject and to pave the way for the solutions which we have to examine at the present session.

The meeting of the Committee set up to study the question of the foundation of an international agricultural credit institute was preceded by some admirable preparatory work in the technical field, the credit for which must go to a delegation of the League's Financial Committee. This European Committee was therefore placed in possession of drafts which it was entirely free to appreciate on the basis of the budgetary, social, and political needs of the different countries to whose agricultural economy this credit machinery was to be applied or who would be asked to help in setting up the machinery. Certain criticisms and concrete suggestions have been put forward. Both have been examined by the Financial Committee, and the latter has settled in every detail the draft Convention which we shall have to study before it is submitted to the Council of the League.

Such is the balance-sheet of the work achieved in four months under the instructions of the Commission of Enquiry for European Union. It is one that justifies a certain feeling of confidence on the part of the Commission. I will not say satisfaction, for the time has not yet come when we are entitled to call a halt, and look back and congratulate ourselves on the road we have followed. At the end of this first stage, we see a new stage to be accomplished, more arduous and more difficult than the former.

When we have completed our examination of the reports from our Organisation Sub-Committee and Technical Sub-Committees and the other items on our provisional agenda, we shall have to deal with that other major question which has recently been brought before us by Dr. Curtius, "The development of Customs relations in Europe". This proposal raises the problem of the economic depression in Europe in one of its most perplexing aspects, for which a solution is most urgently needed. A subject which occupies so prominent a place in all our thoughts, will require a broad and frank discussion, one that will enable every European Government to expound its views and indicate the extent to which it is prepared, in the general interest, to co-operate in the work of mutual assistance and salvation.

May I, speaking in my personal capacity, say how glad I am of the existence of this Commission? It is only necessary to look at the situation as it would be without it to feel the deep-seated needs it is designed to meet, and to realise that the function it fulfils, far from bringing it into conflict with the Council of the League, makes it the necessary complement of the Council. The Council is the guardian of international obligations and the intermediary for the conciliation of political interests. It guides our policy by telling us that one avenue we are exploring is open to us and another closed. Such warnings are of the utmost value; we dare not go against them, but, if we wish to make the world a better place to live in, we must go resolutely forward along those avenues that are open to us. Since the observance of the law is assured by the Council, it is for us to ascertain the economic necessities that call for concrete solutions and constructive work. Should we fail to recognise those necessities, we should be omitting to take action to end conflicts fraught with peril. To understand and provide for those necessities is our first duty: it will be our duty at this session, during which our Commission's youthful strength will be put to the test of circumstances. I have no doubt that the Commission will pass successfully through that ordeal, provided each of us is guided, in the difficult discussions before us, by the feeling with which we were all imbued when at our first meeting in September 1929 we affirmed our faith in a policy of mutual understanding and European collaboration.

Mr. HENDERSON (Great Britain). — Before we proceed further with the business for which we have come together, I think it will not be inappropriate if I take this opportunity of making a few observations personal to our Chairman.

A moment ago he welcomed all of us who are sitting at this table, and I am quite certain that I represent, with deep feeling, the view of every member here when I say how sincerely we welcome our Chairman this morning.

During the past few days a great event has taken place in the national life of the country which he represents: I am certain that no one here would desire, even remotely, to interfere with the course of national politics; but it is almost superfluous for me to say, in a gathering of this description, that our Chairman is not only a national politician, he is a great international statesman as well. M. Briand, in my humble judgment, symbolises in his ideals, in his spirit, in years of devoted and capable service, all that is best in connection with the League of Nations, and when we say that in these days, it means all that is best for the peace of the world and the harmony of international relationships.

In view of what has taken place, it would be idle for us to pretend that the position of M. Briand remains exactly where it was. In the sphere of human affairs that is impossible. Though I have had no conversation with him and have only the reports of the Press to guide me, we cannot but expect that before very long some changes may take place which, if we had the power to decide, would not take place. But we have to anticipate, and I have risen for the purpose of expressing what I believe will be the unanimous desire of this gathering, as it would be the unanimous desire of a larger gathering like the Assembly, if that were now in session — I have risen to say that M. Briand retains to the very full all the confidence that any one of us or all of us ever had in him and in his work in connection with the League and the Commission for European Union.

As my closing word, I venture to urge that it may be possible for him to maintain his association with us. Some of us have regarded him for some time as the Grand Old Man of the League, and whilst it is the fashion in most countries for some people to talk about getting rid of the Old Gang, we certainly are not prepared to support such a policy

so far as our Chairman is concerned. We can only express the hope that he may long be with us to guide us, lead us, advise and inspire us in trying to achieve not only the economic ideals that influenced him in bringing this Commission together, but also the high political ideals that have led him to render such faithful and loyal service to the League. Whatever there may be in store for him in the future, everyone of us will retain hallowed memories of our association with him in the various branches of the League's work.

The CHAIRMAN [*Translation*]. — You will not be surprised if I tell you that I have been deeply touched and moved by what my colleague and friend, Mr. Henderson, has just said. Indeed, I am very much embarrassed. In Mr. Henderson's remarks concerning myself, I am anxious to distinguish between the actual facts, which should be presented more modestly, and the exaggerations in which his friendship, so often put to the test, has led him to indulge.

The League of Nations, the Union of Europe, these are peace organisations that must be placed above every other consideration. It is true that in them I have had my place and played my part, but I have done nothing to set me apart from any of my colleagues. If, at one time or another, I have been found in the forefront of the League's work that is because the play of circumstance placed, for instance, the presidency of the League Council, in my hands. It is due also to the fact that in this atmosphere of international friendship, where we are all animated by one thought — namely, to safeguard the peace of the world — we should in truth be very poor citizens if, when we have a part to play, we failed to rise above ourselves. Here, in this atmosphere, I have been given the opportunity of proclaiming my personal feelings. Those feelings have not changed; they remain unaffected by the vicissitudes of public life and all the petty incidents that may occur in it.

Let me say how happy I am to meet you here again to-day. I am glad that you have so much confidence in me. Perhaps your confidence is not so great as that of my friend Mr. Henderson, but even if it be half as great, it will still be more than enough to satisfy me.

Whether here or elsewhere, whether as representative of my country, one that is deeply, loyally and wholeheartedly attached to the League's work of peace, or in my work of propaganda, in the highways and the byways, grasping the pilgrim's staff which my old hands cannot perhaps wield so vigorously as in the days of my youth, I shall ever have before me the ideal we share in common. Towards that ideal I shall ever press forward; to it I shall always devote my every effort, no matter what form it may take.

#### 19. Constitution, Organisation and Procedure of the Commission of Enquiry for European Union: Examination of the Report by the Organisation Sub-Committee.

M. MOTTA (Switzerland), Rapporteur [*Translation*]. — The Report by the Sub-Committee (Annex 4) has been distributed. You will notice that the report is a plain document, devoid of ornament or style. You may even consider it somewhat dull. It is limited to the fundamental questions, all useless details which might prove an impediment later having been omitted.

The guiding ideas are as follows: the report first explains that the Commission of Enquiry is an emanation of the League. This fact engenders a whole series of consequences. Speaking generally, the rules applicable to League Commissions are equally applicable to this Commission, which is an advisory body — that is to say, it takes no decisions in the strict sense of the term, and is required to submit reports either to the Council or to the Assembly of the League. That being so, it has the right to ask for the help of the technical organisations and advisory committees set up by the League.

The non-European countries Members of the League are at all times entitled to speak in our Commission, to submit suggestions or make known their desires, and likewise to offer observations. The same countries again, solely because they are Members and take part in the sessions, either of the Council or of the Assembly, exercise a sort of joint supervision with the European countries over the work of this Commission.

This Commission is further empowered to work in conjunction with the European countries non-members of the League, when it thinks this desirable. With this object invitations to discuss certain questions here are sent to the countries concerned. These are the fundamental features to be borne in mind as to the nature and basis of the Commission of Enquiry for European Union.

The second guiding idea to be found in the Sub-Committee's report is that we were anxious to make our proposals as elastic as possible, so as not to preclude any possible future developments which might be thought desirable. We have in consequence suggested no rules of procedure, in the strict sense of the term, framed in a number of articles, no hard and fast provisions which could only be altered with difficulty. In principle, the rules governing the other League Commissions will be applicable to ours. Special rules may, however, be made for our work. We have, for instance, agreed that each European country may send a delegate and a deputy-delegate. Needless to say, delegates and their deputies may be assisted by experts. The Commission will be entitled to set up Sub-Commissions,

and, in each case, we shall have to see that the number of members, the subjects of enquiry and the duration of their appointment, are fixed as exactly as possible.

Countries will be required to give one month's notice of any proposals they wish to place on the agenda of the Commission. In this way it will be possible for all countries to know, three weeks before we meet, what subjects will be discussed. Countries asking for specific questions to be placed on the agenda will be expected to attach to their proposals a short memorandum giving a statement of reasons and defining the issue they propose for discussion. Such explanatory and brief memoranda should, in all cases, deal more particularly with the European aspects of the questions on our agenda. It should be remembered that the Commission has no intention of competing in any way whatever with the work of the League or of any of its organisations. Each year, after the League Assembly, the Commission will be required to elect a Chairman and a Vice-Chairman. These two officers may be re-elected. The Secretary-General of the League, assisted by his subordinates, will act as Secretary of the Commission of Enquiry. In this way it will be quite clear that the Commission of Enquiry for European Union forms part of and is completely identified with the League of Nations.

The CHAIRMAN [*Translation*]. — I feel sure you will all agree in congratulating our Rapporteur on the very lucid and concise way in which he has dealt with this difficult question.

M. Motta's report is a cautious and reticent document. It leaves the way open to all possible developments in the future. Were I asked for my personal opinion, and I have one on this question, I should say that I am somewhat bolder. Nevertheless, I warmly approve the reasons for great caution in the first step towards the organisation of Europe, so that we may avoid meeting insurmountable obstacles. The essential thing is that the new organisation should live; its competence, its authority and its ability to develop will take shape in accordance with the circumstances with which it has to deal. If, as we go forward, we find that in the first stages our Commission lacks certain powers of action, we shall of course ask for them, and I am sure that they will be granted, first by the Commission itself and later by the League Assembly.

I propose that we adopt the report and transmit it to the next Assembly, for, as you will remember, we were instructed to acquaint the Assembly with our views as to the organisation of European Union, so that the Assembly might be in a position to form an opinion.

*The report of the Organisation Sub-Committee and the Chairman's proposal were adopted.*

20. **Participation of the Free City of Danzig in the Discussion on Economic Problems :  
Resolution proposed by the Organisation Sub-Committee.**

The CHAIRMAN [*Translation*]. — The following resolution is presented by the Organisation Sub-Committee, on the proposal of the Polish Government :

“ The Commission of Enquiry for European Union, on the recommendation of the Organisation Sub-Committee which had before it, on March 23rd, 1931, a proposal by the Polish Government to this effect ;

“ Decides,

“ In view of the resolution of the Assembly of the League of Nations dated September 17th, 1930 :

“ To invite, through the intermediary of the Secretariat and of the Polish Government, the Free City of Danzig to participate, so far as is permitted by its legal status and by the agreements existing between Poland and the Free City of Danzig, and in the form prescribed by those agreements, in the work undertaken regarding the study of the world economic crisis. ”

*The draft resolution was adopted.*

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SECOND MEETING (PUBLIC).

*Held on Saturday, May 16th, 1931, at 10.30 a.m.*

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*Chairman : M. Aristide BRIAND (France).*

21. **Participation of the Governments of Iceland, Turkey, the Union of Soviet Socialist Republics, and the Free City of Danzig in the Discussion on Economic Problems.**

The CHAIRMAN [*Translation*]. — In pursuance of the decision taken by the Commission on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics have been invited to send representatives to our Commission for the discussion of economic questions. Yesterday, under another resolution, the same invitation was sent to the Free City of Danzig.

I understand that the representatives of these Governments and of the Free City of Danzig are now with us and will take part in our proceedings. I am sure that I am speaking on behalf of all the members in welcoming them very warmly and telling them how glad we are of their help in so grave a matter as that with which we are about to deal.

We have met here from a deep sense of the ties that unite us and in a common desire to find, at a time of difficulty, the best method of removing some of the distress that exists, and paving the way for a better future for our peoples who are passing through a period of great hardship.

I am certain that the representatives of the various countries we have invited are inspired by the same feeling as ourselves, that they will loyally and sincerely co-operate with us and that their help will contribute to our chances of success.

**22. Economic Questions : The World Economic Crisis in so far as it concerns the Community of European States : General Discussion.**

The CHAIRMAN [*Translation*]. — In view of the importance of these questions and in accordance with the request made by several of our colleagues, I propose that we should begin with a general discussion.

*This proposal was adopted.*

Dr. CURTIUS (Germany) [*Translation*]. — I am very grateful to you, Mr. Chairman, for acceding to our request for a general discussion on the world depression and the European depression and to the Commission for approving your action.

The different problems included under Chapter III of the agenda are very closely related to one another. Generally speaking, they have almost all been contributory factors in bringing about this general European depression with which we are about to deal. Hence, a general discussion was indispensable. True, there are certain special problems, which can, and certainly will, be treated separately. For the moment, however, we are to have a general discussion on the economic depression, its causes and its cure.

There is no need to dwell at length on the gravity and extent of the depression. It permeates every branch of life. The distress of our peoples spurs us on to the most strenuous efforts. We are alive to the necessity for co-operation, to the greatest possible extent, in the great work of European reconstruction, over and above any national measures we may take. As a German I have special cause for saying this. In our case the crisis has fallen upon a nation which, owing to the convulsions of the war and the amputations of the peace, revolution and grave social upheavals, enormous losses of wealth and the permanent withdrawal of capital unaccompanied by any compensation, is in a weaker and more susceptible position than any other. We, therefore, are exceptionally concerned in anything that promises relief. No country at the present juncture has a greater interest in the economic recovery of Europe as a whole than Germany; situated in the centre of the continent she is traversed by every movement that takes place in Europe and for this reason is more easily affected by any disturbance. At home we are gathering our last forces together with the aim of putting our affairs on a sound basis once again so far as is possible with our own resources. At the same time, we are in the front rank of those who, in co-operation with all European countries have undertaken the common task of removing the European depression.

The causes and the symptoms of that depression are manifold. May I recall the very important discussions in the International Chamber of Commerce at Washington where, to Germany's satisfaction, the problem of international indebtedness and of the effects on world trade of the payments consequent thereon was discussed exhaustively and mentioned in the final resolutions. I may also refer to the report from the Director of the International Labour Office, who, with exceptional ability and by means of voluminous statistical material, has given us an extraordinarily penetrating and suggestive exposition of the causes of the depression.

I have therefore no need to go into those causes, one by one. If, however, we wish to consider whether and to what extent individual proposals and measures can contribute to the removal of the depression, we must be clear as to its principal causes, particularly as regards its European aspects.

Apart from the major causes that may be observed throughout the world — namely the overproduction of foodstuffs and raw materials —, apart from the fall in consuming capacity, the rise in the purchasing capacity of gold and the derangement of the money and gold market, apart from the wasteful expenditure of money on non-productive economic purposes, there is a further main cause peculiar to Europe — namely, the division of Europe into a legion of small economic territories. The nature of our Commission requires, I think, that we should deal more particularly with this side of the economic depression. This is the consideration on which the German Government based its proposal that we should here examine once again the present position in Europe, due, as it is, to the existing situation in Customs matters and to the failure of the concerted action attempted so far in this field.

This nexus of problems should take the first rank in our discussions and I reserve my right to speak again, if necessary, in the general discussion and deal with any other general problems that may be brought forward. As, however, is fitting in a general discussion,



I shall confine myself to general statements. For the moment I have no intention of dealing more particularly with the Austro-German plan for a Customs Union, included under Chapter III (i) of the agenda. I wish to consider whether and to what extent the idea of Customs unions between individual countries or groups of countries forms an appropriate remedy for the intolerable economic position in Europe; in other terms, I shall confine myself to the general function which, in my view, Customs unions appear destined to exercise in Europe.

To describe the position in Europe I may quote again the oft-cited figures: 20,000 kilometres of new Customs frontiers, 13 new currencies, 9 new economic territories and Customs tariffs. This economic subdivision of Europe, or rather of Central and Eastern Europe, is the greatest peril to the future of our continent. The economic consequences are constantly becoming clear to us all.

The first is an illogical and unduly expensive production and distribution of goods with a resulting decline in the capacity to compete. The next is the fall in the power of capital and prosperity; under-consumption, unemployment, proletarianisation of the middle classes and pauperisation of the working classes. All this involves the dangers of class warfare, and strengthens the conviction that the European economic system must be radically reformed if it is to be preserved. There is only one way out of this dilemma, the steady expansion of the different economic territories. Every economic territory that coincides with a political territory has a tendency — and the smaller the territory the stronger the tendency — to make itself economically self-sufficient. The aim is to cover the national needs from the national resources by encouraging agriculture and by establishing and developing industries, regardless of the natural interdependence of the different national economic systems extending over political frontiers, and regardless of the interests of neighbouring States. We are all acquainted with the means used to attain this object; the country is closed by a Customs barrier to its former foreign suppliers. New methods of indirect protectionism are constantly introduced with all manner of variations. These do more than anything else to disturb and impede international trade, and in the long run are of no benefit to the national economic system they were intended to further, because they inevitably increase the costs of production and so lessen the capacity to compete.

These defects, recognised many years since, led to the efforts made here at Geneva for a more strenuous examination of economic problems. At that time we all set out with the idea that we could grapple better with the increasingly grave problems of the depression by organising our negotiations on a more comprehensive basis. We even, to a certain extent, went so far as to regard the method of bilateral negotiations as one that was obsolete for the settlement of economic relations.

As in other countries, we in Germany placed great hopes in the new method of more general multilateral agreements. To-day we see that our hopes have not been fulfilled. Every proposal that has been made on these lines has failed; there was the proposal for the establishment of maximum percentages for duties or a percentage reduction in duties, the proposal for reductions of duties by categories of goods, and that for a Customs truce. The scathing criticism of the President of the Economic Conference, M. Colijn, at our last meeting in January, is still in all our minds.

It would of course be a mistake to conclude from these negative experiments that success cannot be achieved by fresh efforts on the lines proposed hitherto. At all events, we must not give way to despair and assume that no good can be served by continuing to examine economic problems collectively here at Geneva. We must, however, I think, infer from our experience of the past five years that different problems have to be treated by different methods. The system of multilateral negotiations is still unquestionably as important as ever it was wherever there is no pre-existent antagonism of national interests, and wherever, in particular, the only object is to fuse parallel interests and regulate them in a uniform arrangement.

To explain my meaning I need take only a few examples from the agenda of this session: the improvement of agricultural credit, the settlement of the status of foreigners, the transmission of electric power from one country to another. As against this, in international trade, and above all in Customs questions, where every attempt at multilateral negotiations has always failed, the method of construction from below, by regional agreements and bilateral negotiations, is the most appropriate in the present circumstances. We must therefore have two parallel methods of work. The first, dealing directly with the regulation of the collective interests of the European States, is that of multilateral agreements. Even so, only certain of the States will, as a general rule, undertake to put immediately into force any such agreements, which are intended to be universal. We can, however, confidently leave it to the other European States to decide whether they will do so immediately or later. Owing to the identity of interests which may be presumed to exist in such cases, it may be surmised that in the course of time these other States will spontaneously follow the example given them.

In this connection I may remind you of the history of the World Telegraphic Union. At first there were two groups formed in Europe, the Austro-German Telegraphic Union of 1850 and, secondly, a West European group organised after the pattern of the former, under the leadership of France. After a few years the development of the telegraph inevitably brought about the amalgamation of the two groups in a single European

Telegraphic Union (1858). This fusion again necessarily led in a few years to the World Telegraphic Union established by the 1865 Paris Conference.

The second method, which I would venture to describe as progress from the particular to the general, or if you will allow the phrase, construction from below, must begin with bilateral agreements, or at any rate agreements confined to quite small groups of States, in order to ensure a first measure of success. Such arrangements, too, must of course contain within them from the outset the capacity for generalisation; either there must be similar agreements between other groups of States, or, as time goes on, other countries must join existing groups. Thus, construction from below will gradually contribute to the economic fusion of Europe. In any case the present multiplicity of economic territories will be superseded by a smaller number of larger economic groups.

This plan of bilateral or regional arrangements, as a cure for the existing economic troubles of Europe, inevitably leads to Customs unions. It might be held that certain intermediate stages would be feasible here as well. We have, for instance, to discuss the idea of preferential treatment for South-East European grain, a proposal which Germany has received very sympathetically. That, however, is a special case which needs to be treated separately and cannot be converted into a system. The position in South-East Europe being what it is, the economic existence of the countries in that part of the world depends on the possibility of exporting their grain. There is, in this case a quite exceptional emergency for which an exceptional remedy must be used, its exceptional character being recognised as such from the start. The general application of the idea of preference, or its conversion into a system, would destroy the most-favoured-nation system, to which, it is true, there are certain exceptions, but in the maintenance of which Germany has a very strong interest.

Apart from such exceptional cases as that of the South-East European countries, the most suitable means for remedying the economic division of Europe is that offered by Customs unions. The decisive point is that every expansion of the home market facilitates and encourages the reduction of duties. Industries which have a large home market are not compelled to demand Customs protection against foreign competition to the same extent as industries belonging to a small economic territory which offers only inadequate possibilities for organisation, the building up of capital and technical developments. This natural movement is commensurate in intensity with the size of the home market, whereas inversely, the division of Europe into small economic territories has resulted in the existing exaggerated Customs duties.

There is a further fact germane to the position in Europe —namely, that most duties were introduced as a protection against competition from other European countries. Hence, with every alliance between economic territories some of these protective duties will become superfluous. We frequently see in Europe that a country has imposed a heavy duty on a certain category of goods solely to protect itself against the competition of one individual State, and that this duty is then applied against every other country. As soon as the two former countries combine in a Customs union, this duty becomes superfluous, with ensuing benefit to third States. This advantage will not of course be felt to any appreciable degree until the idea of Customs unions becomes general.

The history of Customs unions, in the nineteenth century at any rate, points to the existence of a law of the natural expansion of markets and a liberal Customs policy. It was in all cases the free-traders who aimed at and promoted Customs unions.

The idea of regional agreements and the project of Customs unions have gained ground steadily in recent years. I may mention the endeavours of Estonia and Latvia, and of Yugoslavia and Roumania, to conclude Customs unions. The same idea is once again constantly brought forward in the countries belonging to the old Danubian monarchy. At a congress in Liège in the summer of last year economists discussed the feasibility of a Customs union between France and Belgium; and the great plan for a Customs union between Germany and France, with the possibility of further development, has been discussed for a long time, not by entirely uninfluential people but, on the contrary, by well-known leaders in public life. As Minister of Economy, I followed the fortunes of the plan with the greatest sympathy. It is obvious then that the Customs union idea is making headway in ever wider circles, as is only natural if we consider its importance for the reconstruction of Europe.

That being so I am prepared immediately to negotiate with every country, large or small, regarding the possibility of a Customs union. It is indifferent to me whether the negotiations are bilateral or extend from the outset to a group of countries in a particular region. I earnestly beg that my invitation may be given serious thought.

At the present stage of the discussion I shall confine myself to the foregoing observations. The central point of my remarks is the idea of regional arrangements, that we should build up a European organisation from below. I have said that I am prepared to speak, during the general discussion, on any other general problems that may be raised. I do not, however, wish to close without emphasising once again that in my view, side by side with the endeavours made by each State to overcome the economic depression in its own territory, it is essential that we in our Commission achieve the union of the European nations; we must unceasingly work together for the reconstruction of Europe.

The CHAIRMAN [*Translation*]. — As delegate of France, I desire to make a few observations which are necessitated by the instructions I have received and which I cannot omit without detracting from the clarity and sincerity of our discussions.

I have listened with the closest attention to Dr. Curtius' very eloquent speech, and I will admit that there was much in it that was very judiciously expressed and with which I heartily agree.

Dr. Curtius has, if I may so put it, expounded the method, which he considers we should contemplate for extricating the European nations from their present difficulties. He has recalled the many causes to which our present troubles are to be ascribed. In my view, the principal cause is this: hitherto the European peoples have held themselves too remote from one another; they have been unable to take any concerted action to regulate, or discipline, their production and trade. By taking action individually they have accordingly allowed a kind of anarchical situation to develop, which has been, and is, to my mind, one of the most serious causes of the present economic disturbance.

That, however, does not absolve us from taking concerted action; on the contrary. As I said at the beginning of this meeting, the need for concerted action is one of the most cogent reasons for our meetings. We must avoid in what we are now doing anything that might create among the peoples represented on this Commission a state of apprehension or moral unrest. The nations cannot work well unless they have a deep sense that peace is firmly established and that nothing can shake it. If they are harassed by certain problems, the ensuing apprehension immediately aggravates the causes of economic unrest.

Hence, for a body like ours, and I say so because I believe it, it is of paramount necessity to avoid anything that might be likely to disturb the nations. Whether, in order to achieve good results, we are to proceed from the general to the particular or from the particular to the general, we must, let me say it once more, avoid anything that may disturb men's minds. And here, with some regret, I touch on what I will call one of the sensitive spots in the situation; but, after all, we have often had to refer to such matters in our debates and no serious inconvenience has resulted. The essential thing is that we should deal with all problems, of whatever nature, with a firm determination to solve them and without allowing that to mar our good relations. There are certain things, even though they be rather awkward, that we can say to one another, provided we take care to put them in such a way that they are not misinterpreted and do not cause unrest.

Customs questions are not the whole of the problem. Whether we contemplate a general union or separate unions, this Customs question is not the cause of the unrest; it is only one of the effects. When nations have recourse to measures of this kind, they do so because they are endeavouring thereby to avert economic disturbance. If, then, we wish to solve a Customs problem, we shall not be removing the cause of economic unrest by attempting, in default of a general solution, to improve production or trade.

If, however, we adopt the system recommended by Dr. Curtius, of proceeding from the particular to the general, and experiment with separate unions first, it will be because we have been forced to abandon a general agreement. Why should we abandon that attempt before we have made it? Would it not be more logical to try first a system of complete union between all the nations taking part in our meeting here to-day? True, numerous attempts have been made; the League has made the most praiseworthy efforts; there have been conferences attended by the most celebrated and experienced economists who, after long discussions marked by a conscientiousness we have all admired, have put before us here all the information at their disposal and proposed certain remedies. One of those men, and not the least important of them, you have already heard. M. Colijn has told us of his disappointment, I may say, his bitter regret at the inability of the Governments to ratify work that had been approved by the League and submitted to them for their favourable consideration. So be it! There have been other instances of concerted action that have likewise failed. I do not think that this is a reason for giving up the attempt. I believe that the original system was perhaps somewhat too ambitious, too comprehensive, too empirical. But there are other methods.

My country has proposed, in a memorandum (Annex 5), a number of measures which in its view would provide a cure. You will be asked to discuss and examine that memorandum. Nevertheless, when among the unions put forward as a basis, we are asked to consider the practicability of the method of proceeding from the particular to the general, it will, I think, be advantageous that we should be quite certain what it means. In this way our minds will be prepared beforehand and we can obviate certain apprehensions and causes of distrust. In this case, however, it is necessary to avoid attempting anything that is not allowed; for the outcome can only be trouble. Dr. Curtius referred, briefly, I will admit, to a union of the type which he contemplates as a basis. My country deeply regrets that it cannot acquiesce in such an attempt. It has protested very clearly and very forcibly against any such attempt and it maintains its opposition. We shall revert to that point later. I should, however, have been lacking in loyalty had I passed over in silence the example that has been given as typical without stating, in my capacity as French delegate, that we shall shortly be called on to debate and decide whether that attempt is lawful or forbidden.

My Government's more detailed observations on the general position will be given by the French Secretary of State for National Economy, who will explain the French plan to you.

For the moment I wish to say to Dr. Curtius that as an argument for the adoption of his method he referred to the proposal for a similar union made by France and Belgium in the past. True, that proposal was made; but what protests it aroused; what resistance it occasioned; what alarms and threats resounded throughout Europe. Let us remember that when faced with all that unrest, due to the many political objections raised against that attempt, my country did not persist. It realised that there was in the proposal something that might be advantageous to the two countries concerned but might be so harmful to the other nations that it had no right to persevere in purely selfish aims. We therefore went no further. This example is therefore an interesting one and gives food for thought. What we must avoid is anything that might trouble the nations. Our two countries could have done anything they wanted within the narrow limits of their Customs frontiers but they would immediately have been made to feel all the disadvantages of such an act.

We will refer to this matter again in the next few days. I merely wanted to say now that on this point I cannot, notwithstanding my great desire, agree with my colleague, the German representative.

I apologise for having spoken in this way. I have done so purely from a sense of loyalty. I can accept any system, but it would be better not to attempt any which are not permitted by the treaties or by international conventions.

Dr. CURTIUS (Germany) [*Translation*]. — I should like to make a few short observations in reply to the Chairman's remarks.

Our Chairman referred to Customs unions, and distinguished between those which are lawful and those which, owing to existing treaties, are not.

As our discussion is at present a general one, I confined myself to the general function of Customs unions, and, if I said a word or two about the Austro-German plan, I only did so in order to state that I should not deal with that question. I accordingly abstained from examining, apart from their economic aspect, the special considerations which might be advanced.

Moreover, we shall, I think, have an opportunity of examining this question in the Council, on Monday. We shall accordingly discuss the question of the legality of the Austro-German Customs Union in the Council. I may add that, in my opinion, we have kept entirely within the limits of the treaties, but I consider that this is not the place to discuss that issue and that we should restrict ourselves to the general economic aspects of the Customs union problem.

May I refer to one point in order to remove a slight misunderstanding? In speaking of the Franco-Belgian negotiations, I was referring to those initiated during the Summer of 1930 by certain economic circles in the two countries. I am quite conversant with the position in 1840 and 1842 and with the exchange of notes which took place in those years. We shall perhaps have occasion to revert to it in the course of our debate. For the moment, however, I merely wish to say that this example cannot legitimately be quoted, since the position in 1840 was a special one by reason of Belgium's being a neutral country.

*The discussion was adjourned to the next meeting.*

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### THIRD MEETING (PUBLIC).

*Held on Saturday, May 16th, 1931, at 4 p.m.*

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*Chairman : M. Aristide BRIAND (France).*

#### 23. Economic Questions : The World Economic Crisis in so far as it concerns the Community of European States : General Discussion (continuation).

M. GRANDI (Italy) [*Translation*]. — I have noted with great interest the statements of the previous speakers, as also all that has been said and proposed here and elsewhere in connection with the European and world economic crisis.

The present crisis is a result of the war, and post-war events. Though its visible symptoms have become manifest suddenly, the precursory signs have been evident for a long time. The welfare of a given country and the satisfactory periods through which the various countries have passed since 1919 — just as they have also passed through periods of economic and financial adversity — have given rise from time to time to a facile optimism; but the feeling that the economy of Europe, too permeated by a restrictive sense of national egoism, was making its way down a blind alley has long been general. For a long time now, even, it may be said, since the end of hostilities, people have been seeking for means to forestall this danger.

In accordance with what have now become the usual methods, these anxieties led to conferences and recommendations. There was the Brussels Financial Conference in 1920, the Transit Conference at Barcelona in 1921, the Economic Conference of Genoa in 1922 and the Economic Conference at Geneva in 1927, and so on up to the meeting of the Commission of Enquiry in January 1931 and the last Wheat Conference organised in April by the Rome International Institute of Agriculture. I do not know whether all that could and should have been said in these Conferences was said, or said as it should have been said. The truth, the whole truth, was sometimes neglected, while attention was paid to the superficial symptoms rather than to the radical causes of the evil.

The result was that, while delegates were talking and discussing, the situation grew worse.

The time has come to pass from words to deeds, to recognise frankly the errors which have been committed and to seek a remedy. There is one principle which should be retained out of all those which have been expounded: international solidarity and co-operation. The crisis is worldwide and for us mainly European. It is not a case of any particular country, but the crisis in each country has to be examined in its relation to the conditions in other countries. Countries cannot be regarded separately — to put forward the interests of one as opposed to those of another would not be to the advantage of the first country; it would, indeed, be detrimental to all countries.

Another danger which has clearly been demonstrated by the last session, of the Commission of Enquiry and of which traces, though slight, can be found in previous discussions, is that the method hitherto followed for the application of the recommendations made has not been the best and should be reconsidered. Too often, the differences between the various national economic organisations have been disregarded and the needs of the various countries have been discussed from the theoretical rather than from the practical standpoint.

In the present situation, particularly with regard to this necessity for practical action, several proposals have been submitted which may be summarised as follows: (1) Granting of credits, particularly to agriculture; (2) International industrial and agricultural agreements; (3) Adoption of preferential treatment; (4) Customs unions.

There can be no doubt that the granting of credits on better terms than those obtainable at present may be helpful and that there is place for an international credit institution side by side with the existing credit organisations.

Our Commission, in agreement with the Council of the League, has already made considerable progress, thanks to the work of the technical organisations, in preparing a scheme for the creation of an international land credit institution. The advances proposed are long-term credits. The Rome International Agricultural Institute has also undertaken to study the question of the establishment of an international institution for short-term credits.

We do not believe that these initiatives will lead to very far-reaching results, and are aware of the difficulties that may be encountered in connection with them. The Italian Government is nevertheless prepared — now as previously — carefully to consider these schemes. The essential point is to take some useful action and take it as soon as possible.

The Italian opinion with regard to international industrial and agricultural agreements was explained at the Economic Conference of 1927 when this question was discussed in detail. Italy does not entirely exclude such agreements, but considers that they are only desirable if they succeed in harmonising national with international requirements and if the possibilities of production of less industrialised countries can be co-ordinated — that is to say, if no hindrances or restrictions are created to the detriment of these countries and to the advantage of more industrialised countries. It should be remembered that certain countries have to rely on industry to satisfy the needs caused by an increase in population. Let us remember also that experience proves — in spite of several statements to the contrary — that these agreements have not succeeded in reducing protectionism. Moreover, though they may be applied to certain categories of products, they entirely fail to reach the great mass of production divided as it is into an infinite number of undertakings.

Another important point in our discussions, I think perhaps even the most important, is that referring to preferential treatment. Only quite recently — that is to say, since other schemes have failed, particularly those for lowering tariffs and establishing a Customs truce — the problem of preferential treatment has been to the forefront in our discussions.

The comparative failure of the proposal to lower Customs tariffs and institute a Customs truce is due, if I may say so without being paradoxical, not to a lack but to a surfeit of accessions. These ideas were so excellent and found such favour with the public that consent could hardly be refused; but words were not followed by acts. Nothing, or at any rate very little, was done in the way of lowering tariffs. On the contrary, existing duties were in many cases increased. The situation, instead of improving, grew worse.

The adoption of a preferential system in favour of the Danube States for the import of cereals was discussed at Economic Conferences last year, by the Commission of Enquiry last January, by the Committee for the Disposal of Stocks of Cereals and even by the Wheat Conference at Rome.

The difficulty which had to be overcome was the fear that the adoption of a system of this kind might disturb the commercial relations with other States which also export cereals. It was said that the quantities involved are relatively small. Account must, however,



be taken of the possibility of unfortunate repercussions. Again it was found impossible to leave the realm of theory and get down to facts.

There are also other general considerations which cannot be completely disregarded. The preferential system, however attractive it may appear, cannot, in principle at least, be regarded as an economically healthy method. This system cannot be applied in practice without creating at the same time certain hindrances to international trade, whereas, on the contrary, an improvement of the present situation can only be brought about by encouraging and developing international trade.

Moreover, if the system became general, there would be no means of preventing the commercial relations between various countries being entirely upset as a result of preferences. Certain cereal-importing countries only import comparatively small quantities. Others import large quantities both from a relative and an absolute standpoint. Some countries are so situated that they need hardly worry, if at all, about the effects which preferential treatment may have on third States. Finally, some countries are bound to feel such anxiety. Preferential treatment therefore may, according to circumstances, produce different results; so that it does not constitute a uniform solution. The Rome Conference brought out what may perhaps be a useful point in this connection. The problem was treated for the first time with the participation of representatives from overseas countries and the Conference recognised that the best way to achieve practical results was to resort to the diplomatic channel by which each case could be studied separately and all the factors of the situation weighed. In truth I think this is the method which is most likely to succeed.

Finally, it was stated that the European crisis might be remedied by instituting a system of wider markets by means of Customs unions. It cannot be denied that the limitation of the various national markets constitutes one of the causes of the difficulties which now beset Europe. It is one cause, but not the true one. For instance, the United States of North America which constitute in themselves a vast market, have not been able to escape the effects of the general crisis.

In Europe it must not be forgotten that either the fusion of two or more national economic systems leaves intact the industrial and agricultural productive machinery of each, in which case the fundamental causes of the phenomena of over production which we are seeking to remedy still exist; or else the fusion favours the national economy of one country to the detriment of that of another, in which case it may result in re-establishing equilibrium between production and consumption by sacrificing the weaker organisation on the altar of the stronger.

In order to avoid these harmful consequences temporary Customs arrangements have been suggested. But these temporary solutions raise once more the whole problem of relations with other States and the problem of the most-favoured-nation clause.

It should also be remembered that in schemes of this kind there exist not only an economic element, but also a political element, and it is not always easy, and sometimes even impossible, to draw a distinction between the two. There are legal elements which originate, or may originate, from the existence of treaties, protocols, conventions, etc., which must also be taken into account. Nor can there be any doubt that reciprocal confidence and general tranquillity are indispensable factors in the improvement of the European economic situation.

I return to the question of preferential treatment. When we speak of preferential treatment, we mean Customs treatment, but Customs treatment does not by any means embrace the whole problem. Trade may also be hindered or facilitated by other factors: conditions of transport and transit, special facilities in banking operations, etc. These various factors considered separately may not seem to be very important, but as a whole they constitute a factor of the highest importance, so that they will eventually play a far greater rôle in practice than preferential treatment. Here at last we come down to realities.

In certain countries, particularly in that part of Europe to which we are referring, other reasons may be advanced. Some countries of Central Eastern Europe — or certain regions of these countries — for a long period constituted one single economic unit; they had their common credit organisations, transport, trade, and business traditions. Industrial and agricultural products were distributed according to the free play of economic forces. Events have profoundly altered this system of interests. In this part of Europe, as also in others, agricultural and industrial production and consumption are, for economic and historical reasons, complementary and might balance up normally, whereas they are not allowed to do so.

Obviously the solution we are seeking for the general crisis and also for its most urgent aspects must correspond with these facts. It must even in certain cases be based on them, naturally embodying them in a work of international solidarity.

The problem of the European crisis is not contained in one formula or even in a number of formulæ, however fascinating and all-embracing these may seem to be. It certainly cannot be solved by adopting any of these formulæ. There are no one or two uniform



solutions applicable to all countries, to which all countries would willingly subscribe. The recommendation made by the Rome Wheat Conference in connection with preferential treatment applies to the various aspects of the European crisis. The effort of international co-operation required must be made, not only in the form of international protocols, but also, and perhaps to even a greater extent, in the form of direct agreements. Naturally, these agreements should not be of such a nature as to prevent the contracting States from concluding separate agreements with other countries; nor should they be based on any save economic considerations. They must be freely concluded, based on the special conditions of trade between the contracting countries and should be to the immediate and undoubted advantage of each State. These agreements must respect the present system of trade and the autonomy of each State, and must, moreover, respect the rights of third States so that they may find their natural complement in other agreements concluded by the contracting States with third States.

This is the method which Italy has long been suggesting at the various international meetings. It should be remembered that by the natural interplay of interest direct agreements stretching and crossing in all directions will finally produce those general results which all the world desires.

In this matter we are not dealing with abstract assertions and indefinite aspirations; we are dealing with practical considerations which have formed the starting-point of my country's policy in connection with recent negotiations and agreements. The Italian delegation reserves the right, in the course of our work, to revert to these arguments.

Among the various schemes examined by Economic Conferences there remained, after the setback suffered by the attempt to lower Customs tariffs and institute a Customs truce, the Commercial Convention, proposed also by the Italian delegation and signed at Geneva on March 24th, 1930. It contains positive elements which render its coming into force possible. Nevertheless, and even in spite of the fact that this draft Convention was generally approved, it has not yet been applied.

The Italian Government hopes that what has hitherto been impossible will become possible in the near future. It has proposed that the most appropriate means should be sought for putting the Commercial Convention into force. Such an achievement would constitute a useful preparation for the application and extension of the method of direct agreements, a method which Italy has always supported and has herself begun to apply.

M. FRANÇOIS-PONCET (France) [*Translation*]. — By now no one doubts that in the economic sphere a certain disappointment, not to say anxiety, has spread throughout the whole world. The crisis from which all the nations have been suffering for nearly two years still exists and the end is not in sight. Unemployment is not decreasing, the price of raw materials is still disastrous, while stocks and shares express the general financial depression. Moreover, the efforts which the League has hitherto made not invariably secured all the results desired.

Must we, however, give way to despair and wait for the natural course of events to restore, by brutal selection and at the cost of enormous suffering, the world's shaken equilibrium? The French Government does not think so. It thinks, on the contrary, that we ought to redouble our efforts, profit by experience (even negative experience) in order to correct our methods, and endeavour to open out new pathways by addressing an earnest appeal to the intelligence, common sense, organising faculties and spirit of co-operation of the countries here represented.

The French Government therefore has endeavoured to combine in a sort of co-ordinated scheme a body of suggestions which, in my Government's view, might, even if it cannot entirely solve the present problems — for who can hope to do that? — at least provide a reliable basis for work and discussion leading to a series of effective resolutions (Annex 5).

The starting-point is provided by the work being done at the request of the Commission of Enquiry on European Union, the object of which is to remedy the difficulties experienced by the agricultural population of the countries of Central and Eastern Europe.

This Commission took four decisions last January. It decided that a Conference should be convened to study the disposal of existing stocks of cereals, that another Conference should study the disposal of future harvest surpluses; it decided that the world aspect of the cereal crisis should be left to the Rome Conference; finally, it asked that practical plans for international agricultural credits should be submitted at the present session. All this work has been accomplished; I shall have to submit a more complete statement on this subject in the course of our meetings. For the present I will merely note that the disposal of existing stocks has been facilitated and accelerated; that, in order to secure the disposal of these stocks and future surpluses, an agreement between all the European and overseas exporting countries is being prepared and will have to be examined in London next Monday, its form being much the same as the scheme for dealing with the sugar problem. Finally, a practical plan, the creation of an international company for agricultural mortgage credits complete in every detail is ready for your consideration. The organisation which it is proposed to create, which, if this Commission approves, will come into existence and whose aim it will be to improve the cost prices of the agricultural products of Central and Eastern Europe and thus restore the purchasing power of the populations of these countries, can be put into effect this autumn.

Our efforts, therefore, have been in vain. On the contrary, in three months the Commission of Enquiry on European Union, having taken up for the first time a concrete and definite problem, has been able to produce practical results. We may therefore argue that the method followed has not been altogether bad and perhaps furnishes an example of international co-operation which might serve as a model.

In any case, the French Government thinks that, without waiting to register the effect of these measures, we should now complete them by instituting, according to the recommendation so often expressed by the authorities concerned, a system of European preference in favour of European wheat.

Would such a preferential system mean that France is abandoning the most-favoured-nation clause which she has hitherto so loyally respected? Not at all; for I would remind you of the maxim that the exception proves the rule. Preference, as we conceive it, is an exceptional measure which can be explained and is justified by abnormal and exceptional circumstances. Moreover, as we propose it, this preference would apply to certain definite quotas which might be revised from time to time according as the circumstances — the price of wheat and the value of the stocks — themselves changed.

Thus defined, I think that preference need not cause any anxiety to those countries which have hitherto combated it. The overseas countries in particular, as M. Grandi pointed out, seem to have realised at Rome that this preference would be granted only in respect of quantities which were, for them, practically negligible. If we take as a basis the average for the last three years, we may estimate at 210 million quintals the surplus of wheat and flour available for export from the nine principal producing countries of the world. Of this total the countries of Central and Eastern Europe only represent 10 million quintals or about 4.8 per cent. Moreover, this wheat does not compete with Canadian, Australian, Argentinian or American wheat, because it is of a different quality, is not bought by the same persons and because it is desired not so much to seek new outlets as to obtain better prices. If, therefore, the granting of a preference involves some sacrifice, that sacrifice will not have to be borne by other exporting countries or by countries which do not ordinarily purchase wheat from the countries in question.

The adoption of such a preferential system does not mean that discrimination would be introduced into the Customs tariffs of the purchasing countries as we know them to-day. On its arrival in protected territories, wheat, whatever its quality and whatever its origin is subject to the existing duties, and thus the current prices in the countries in question are not in any way affected; but a certain proportion of the duties paid, calculated in such a way as to ensure as far as possible for the producers an adequate remuneration, is repaid to the producers. Countries, therefore, which grant this restitution of money do not place any burden on their own taxpayers or regular budget receipts: they simply forgo a certain, and not very great profit, derived from a category of receipts which has never been regarded as a regular means of procuring income.

In practice, and by way of suggestion — the door naturally remaining as wide open as possible for all suggestions, modifications, and criticisms you may wish to make — the system which the French Government proposes might be defined as follows:

- (1) The countries of Central and Eastern Europe will set up a joint wheat disposal office;
- (2) A Commission, including representatives of purchasing and selling countries, will periodically fix the quotas to which Customs preference is to be applied;
- (3) The same Commission, but consisting only of representatives of purchasing countries, will allocate these quotas and fix the amount of the preference;
- (4) Preference will take the form of the repayment of certain sums to the central office of the selling countries;
- (5) The central office will allocate these sums between the various organs of the selling countries who will in turn make payments to the farmers.

Quotas and preferences can always be revised when necessary.

I do not think it will be difficult to put this programme into practice, nor would it meet with any insuperable difficulties. There is, however, one distinct difficulty to which I must refer. It may be asked whether the purchasing countries which grant in respect of a definite quota the benefit of preference to the selling countries will grant it, so to speak, for nothing or will receive something in exchange. I will not dwell on the arguments for and against. I will merely say that the French Government does not wish, for the present, to make a choice between the two possibilities. It feels that the main requirement is to reduce to a minimum derogations from the most-favoured-nation clause and that consequently no counter-advantages should be granted to anyone or those advantages should be available to everyone. My Government realises that the question is a complex one and that it merits discussion, and it hopes that this discussion will take place here as soon as possible. My Government believes that it will be sufficient to adopt, on the basis of the general conditions which have been defined, the principles of a preferential system, temporary, variable, and limited, and applicable to the wheat exported by Central and Eastern European countries.

The French Government is convinced that this system, coupled with the prompt establishment of the international institution for agricultural mortgage credits, the adoption of the measures suggested by the Paris and Rome Conferences, and the concerted action of exporters to regulate the disposal of stocks, will bring about an immediate and steadily increasing improvement in the present crisis in the agricultural States of Central and Eastern Europe — the first concrete and definite problem with which the Commission of Enquiry has had to deal.

Moreover, in endeavouring to improve the situation of the inhabitants of these countries, the industrial States of the West will not be making an empty sacrifice, since the restoration of the purchasing power of farmers in Central and Eastern Europe will lead to an increase in their needs for manufactured products, and they will begin once more to purchase as much as, or more than, they purchased in Western countries a year or two ago, which would be an advantage, seeing that since the crisis they have only been buying half as much as formerly.

This is the part of our plan which concerns the agricultural problem of the countries of Central and Eastern Europe.

I now come to the second chapter which refers to the industrial aspect of the crisis. Agricultural countries are not the only ones which are suffering from the crisis; industrial countries are equally affected. This aspect of the problem has therefore also to be considered. We have the work which the League of Nations has carried out since 1927. In that year the League of Nations endeavoured to provide Europe with a new economic charter. The League seems to have thought from the outset that too high Customs barriers, hindering the disposal and circulation of goods, were the cause of the economic malaise in Europe and in the world; it therefore endeavoured to persuade the persons concerned to lower their tariffs simultaneously and on uniform lines.

I believe, and frankly say, that this aim was rather ambitious, because the situation in each country is very complex. The various items of the Customs tariffs are very delicately discriminatory. A uniform reduction — even by a small percentage — in all Customs tariffs without distinction might be borne very easily by some countries and constitute a mortal blow for the products of a neighbouring country, to which the latter could hardly consent. The situation in the various countries is very dissimilar and we must not forget, as over-acid critics do too often, that after the Economic Committee of the League of Nations began work something occurred which in the memory of man has never occurred on so vast and serious a scale — I refer to the economic crisis. The task of the League of Nations, which at any time would have been difficult, was still further complicated by a worldwide occurrence which happened at a moment when nobody was expecting it. After long and fruitless discussions it was therefore found necessary to abandon the method suggested.

The proposal was then made to revert to the idea of a stabilisation of duties and to secure at least what has been termed a Customs truce. The success achieved in that direction was not much greater. Nor did the efforts of the Economic Conference to stabilise the tariff regime deriving from trade conventions and treaties lead to the desired result. Nevertheless, I agree with the Italian delegate that ratifications have been received after the time-limit laid down in the Convention of March 24th, 1930. We might therefore ask whether it would not be desirable to reconsider the problem and see how the Convention could be put into force. If the Commission of Enquiry decides to do so, France would willingly co-operate with other countries.

In truth, as M. Briand said this morning, Customs duties are probably an effect rather than a cause. The cause, or one of the causes of the crisis — for they are legion — is above all, we think, the disturbance of the equilibrium between the production of raw materials and the production of manufactured articles, a disturbance caused in turn by over-rapid technical progress and an over-accentuated rhythm of rationalisation during the last few years, and the lack of harmony between the main centres and elements of production, each developing on its own lines without considering the others. Another cause is the defective allocation of markets owing to the use of machinery which is not really adapted to secure the best distribution of products.

If this is so, we must agree that the remedy for the crisis is to correct the operation of the machinery of production and distribution, to impose greater discipline in the matter of production and sale. That is the method and type of international intervention which have been adopted or suggested for wheat; the well-known method of agreements and cartels.

It has just, for instance, been proved that this method of agreements and cartels is and indeed — contrary to the hitherto prevailing opinion — applicable to agricultural products. Hitherto it was thought to be applicable solely in the case of industrial products. The contrary has now been proved; it would not therefore seem to be the time to renounce this system in the case of industrial products. At present, the production of raw materials and the industry of transforming and distributing goods are grouped into numerous cartels. I will not give a list of all those cartels which are concerned with raw materials, the transport industry and manufactured products. I prefer to come immediately to the question: Has it been proved that agreements as they exist or as they existed before the war and have been developed after the war are of any use?

Doubtless they have not prevented the crisis from occurring ; but, if they had been more numerous and of longer standing and if they had been concluded for a longer period, perhaps the economic crisis would have been avoided. In any case, wherever agreements have existed and wherever their sphere of activity has been extended, it has been noted that the effects of the crisis have not been so acute and that the market has been able to maintain some semblance of order instead of entirely collapsing. Indeed, on looking at the economic world it seems to me that industrial agreements are the only element of order and organisation which is holding its own.

The French Government believes that the method best adapted to the circumstances and based on experience, is the method of agreements. A study of the past confirms the lessons of the present. The obstacles encountered by the League in its economic action, an analysis of the efforts which have led to the formation of the sugar cartel and those which shortly, I hope, will lead to the establishment of a wheat agreement, all lead to the same conclusions. This is the best way to attack the problem. This is the way which will lead to satisfactory results. The Universal Telegraph Union was quoted this morning as an example. I willingly accept that example, but for my own purpose, because I think it is just an example of a definite branch of activity for which a specialised cartel was formed and which gives complete and general satisfaction.

The task to be accomplished is still a heavy one. Existing agreements will have to be strengthened, their field of action will have to be extended and new agreements will have to be concluded. The agreement concluded for twenty years between French, German and Swiss manufacturers of large electric equipment must be extended to other countries. The negotiations begun between French, British, Belgian and German producers for the organisation of the coal market must be resumed, encouraged and completed. Cartels will have to be formed for products which up to the present have been left untouched by international action, but which in world economy occupy a position of prime importance — for instance, chemical products other than dye-stuffs (for which cartels already exist), in particular, artificial fertilisers.

Partial agreements have recently been concluded in the automobile industry ; it should therefore be possible to secure an allocation of the European market between the different motor-car manufacturing countries.

In the textile industry the agreement concerning silk is still in a very elementary state, and might be considerably improved. Representatives of the wool industry meet regularly in conference ; this provides a basis for an understanding which should lead to the formation in the very near future of a true cartel. I must also refer to the case of the wood industry, not merely because that industry is obviously in a state of complete disorganisation, but also because the felling of trees must be reduced by joint action : two reasons for which an international agreement would be advantageous and which indeed will themselves facilitate the conclusion of that agreement.

The French Government does not, however, merely propose the consolidation and general extension of agreements, such as have hitherto been concluded. It feels that this economic policy should henceforth be pursued in such a way as to improve the whole character of these undertakings in the interest of all concerned.

Up to the present producers negotiating or concluding international agreements have always assumed that Customs duties cannot be changed, that they are an invariable factor. Agreements have been prepared on the basis of existing Customs duties : it was assumed that those duties could be stabilised but could not exercise any great influence on the tariff policy of the participating States.

To-day the French Government considers that, if agreements were multiplied and extended, they might have direct influence on Customs tariffs and even alter the bearing of those tariffs. Whenever an agreement is sufficiently powerful, both quotas and prices are regulated. The national market is reserved for the producers of each acceding country, and the quotas to be admitted from abroad, at prices which are discussed and agreed upon, are fixed at periodical meetings. This means that the Customs duty levied on the goods controlled by a cartel is no longer of the same importance as under the old system. Though it may be defensible to impose a duty for goods which are not subject to a quota system, Customs duties become necessary, for purposes of protection, in the case of goods subject to a quota. It is useless, because the necessary protection of the national industry is already assured.

Consequently, we can contemplate a partial lowering of Customs barriers between the various countries, under the control and with the support of the States, without in any way affecting the interests of producers and consumers and without disturbing in the least, the economic system of each country. Such a system would, moreover, amount to a kind of bounty to all who voluntarily accepted its discipline, while the producers in countries which were not disposed to take part in international agreements would not be allowed to benefit from Customs exemptions. It would render inoperative, at any rate so far as the goods controlled by cartels are concerned, the artificial means — direct or indirect bounties on export — which are so often used to disturb the market and which encourage unfair competitors to the detriment of others.

The French Government adds that, though it recommends this method and asks that it should be examined, it would not reject any other method which might lead to the same result, and in particular it is prepared to continue the negotiations already in progress with certain countries with a view to revising existing tariffs.

Obviously there are objections to forming cartels. I have raised most of them myself. They would carry more weight if this were a new method which had not been studied on several occasions. It has been said that the League of Nations was anxious to support that method but was obliged to abandon its efforts, but I say that its enquiries have not been unproductive. They have brought out the importance of the idea. They have stimulated action. Without the League's efforts the sugar agreement, which is so valuable as an example, would not perhaps have been concluded. The coal cartel, which yesterday was impossible, may be constituted to-morrow. It is not sufficient for a programme to be good in itself for it to receive breath and life. The circumstances and the hour must also be favourable.

It will be said, indeed it has been said, that agreements do not lead to immediate results, that interminable and careful preliminary conversations are necessary, and that as the agreements concluded may be revised at fairly short intervals, the method is precarious and does not give lasting security. It is true that it has been difficult up to the present to conclude agreements and that those which have been concluded are somewhat fragile. I think, however, that it will be less difficult to negotiate them and they will be more stable when the Governments and the League of Nations deal with them, take them under their own aegis, and stimulate and help private efforts, without, of course, actually replacing it.

Finally, and above all, it is obvious that the Customs unions to which reference was made this morning will require neither less time nor less trouble for their preparation. To decide in principle to form a Customs union is very quickly done; to bring it into being takes much longer and is much more difficult. The Governments which desire to make a Customs union have to revise, article by article, the whole of the commercial convention which has hitherto governed their trade. Most of those articles, or at any rate a large number, will raise discussion and even opposition. The Governments would have then to establish intermediate tariffs for the transition period, in order to save a number of industries from an overwhelming collapse. To accomplish all this requires months, possibly years, and during that time perhaps a great many international agreements may be concluded.

When we get to the bottom of the matter, the method suggested by the French Government is not in substance so very different from the Customs unions, when one passes from theory to practice, and to the actual creation of those unions. In the one case, as in the other, it is necessary to examine one article, one material, and to regulate its production and sale by agreement. The method recommended by the French Government is neither less rapid nor less flexible than the method of Customs unions. It merely covers a great number of participating States. In any case, it has undoubted advantages over the method of Customs unions.

The French programme pays no attention to frontiers, and consequently involves no political danger. It will not create suspicions of any kind. According to the supporters of the method of Customs unions, the latter constitute only the first stone in a vast mosaic which will soon cover the whole of Europe. All that is necessary is to encourage other European Powers to form similar unions, and an agreement between these various regional unions will finally constitute the European union.

The French Government does not consider that to divide Europe into several economic groups would be a good way of ensuring peace. Economics and politics cannot so easily be separated from one another and treated apart. Economic policy is closely connected with politics, particularly when it is confined within the limits of certain political frontiers. It has a political aspect. It is open to suspicions of a political nature when it concerns an area which is one of the most sensitive points in politics. It is little use to affirm that the proposed unions are exclusively economic, and that it is not intended that they shall, now or later, prepare the way for, or precede, a political union.

I do not say that such a statement would not be genuine, but it suffices that there should be a long-standing tendency in favour of political union between two States for the mere announcement of a proposed Customs union between them to give rise to the suspicion that they are preparing to combine, and for a serious political agitation to result. To the existing evils is immediately added an even greater evil, which makes the others more complicated instead of contributing to their solution.

Moreover, writers who have studied the problem of customs unions — there are many, and although I have read a certain number, I do not claim to have read them all — recognise that the Customs union does not usually do well unless there is also political union. I will quote a reference from M. Schüller's book (page 217): "Without a close political union and without common organisations, such an economic combination of several States is obviously impossible."

Reference was made this morning to past history. Alas! I do not find the history of the Zollvereins particularly reassuring nor does it invalidate the French views. This morning when I was listening to several of the statements which were made, I thought of Friedrich Naumann's *Weltraum* theory, in which he foresees final harmony, but agrees that it will only be attained by struggles, conflicts and terrible battles.



In these circumstances, the Customs union would not have the results which its supporters expect of it. It would bring about something which they do not want: the constitution of other groups, or at any rate, of another economic group. This group would thereby, and as a result of the circumstances and state of mind which it would engender, be antagonistic and retaliatory in character. The two groups would be animated neither by a desire of mutual help nor by a desire to co-operate, but, alas, rather by an ineluctable feeling of rivalry. This rivalry would soon turn into economic conflict which, in its turn, would soon shake the foundations of the League and cause inextricable political complications. To support such a conception is to try to make a covenant with Providence: the risk is too great.

The French programme would not lead to the creation of economic units, determined to outlive one another. It would not leave the League of Nations on one side; it would work within the League and with its help. Finally, it would not deliberately reject the work done in the past. It would learn from past experience. It would endeavour to crown the work of ten years of unceasing effort.

For all these reasons the French Government believes it is right in thinking that its method is preferable to the method of Customs unions. It proposes, since one single operation for the purpose of lowering Customs duties suddenly and simultaneously could not succeed, to organise the economic life of the nations, material by material, product by product, with an accelerated rhythm, by means of agreements and cartels, apart from political frontiers. It firmly believes that in this way, and in no other will it be possible without trouble or disturbance, gradually to eliminate Customs barriers.

It suggests that a conference similar to those recently held in Paris should be called to study the problem of wheat from a realistic point of view, or that a committee of experts should be appointed similar to the delegation of the Financial Committee of the League of Nations which has been instructed to draw up a practical plan for agricultural mortgage credit.

It suggests that this committee or conference should be asked to determine what industrial agreements are most important and can most easily be strengthened, extended or created, and what Customs arrangements between the States should complete the agreements.

After this, the French Government suggests that, with the help of the experts and under the ægis of the States, the circles concerned shall be asked to collaborate and conclude agreements on the basis of the plan drawn up, so that more order may be introduced into production and trade, and that peace may have a more solid foundation.

I now reach the third part, the third chapter, of the programme, which is devoted to the special position of Austria.

We think that the programme for the general economic reorganisation of Europe may well be completed by exceptional measures for giving immediate and effective help to Austria. Austria, which is like a turning-plate in the centre of Europe, is compelled to live chiefly by her foreign trade with European States. In normal years, she sends 49 per cent of her exports to the industrial countries of Europe — that is to say, 6, 10 and 12 per cent more than Belgium, France and Germany respectively. In addition, she sends 28 per cent of her exports to the agricultural countries of Europe, of which she is one of the principal providers. She therefore suffers more than any other country from the falling off in trade between the European States which owing to the economic crisis, have been forced back upon themselves. It is to be feared that this fact has increased her difficulties even further.

The European community cannot be indifferent to this state of affairs, any more than the Austrian Government. It is the imperative duty of that Government to remedy the evil so far as lies in its power, but it is also the duty of the States to which Austria has given a solemn undertaking not to give up her independence without the approval of the Council of the League of Nations and which are compelled to see that nothing compromises that independence, to assist her to regain her economic prosperity, at any rate sufficiently to ensure her separate existence.

With this feeling of moral responsibility, France considers that the economic difficulties of Austria should be given special consideration in the organisation of Europe. Already, with the establishment of new frontiers, there has been an opportunity to facilitate Austrian international trade, and preferential agreements have been contemplated with the countries of the former monarchy.

The French Government suggests that under the auspices of the League of Nations the European States, Austria's principal clients, should together consider the situation of this country and endeavour with Austria to find solutions which, while compatible with their own interests, are at the same time likely to improve Austria's trade balance by expanding her markets. The facilities which the States concerned will be able to give will vary. One country might accord tariff reductions on certain articles, and another advantages in connection with transport, and so on. It would also be advisable to consider whether Austria should give compensation for these concessions. In the French Government's opinion such compensation should not be of a preferential character.

The French Government is sure that Austria's difficulties are only temporary, that they correspond with the period during which that country's economic system is being adapted, and that it must find, in the near future, new facilities for its economic expansion,



by making use of its natural riches, particularly its hydraulic power. The French Government therefore considers that this special regime should be provisional.

Derogation from the most-favoured-nation clause in respect of Austria's products should consequently be strictly limited in time and object, and the exceptional character of the derogation should ensure its favourable reception by third States.

The French Government believes that this regime should be established by means of negotiations between the various States concerned and Austria or, if it were established by means of bilateral arrangements, that the general character of these arrangements should be recognised.

It should not be forgotten, in applying the system of agricultural preference which we recommend, that Austria, which is one of the principal buyers of cereals, would herself have to make an effort and a considerable financial sacrifice. It is only fair that side by side with the help given to the agricultural countries of Eastern Europe, Austria, mainly an industrial country, should also receive help.

Such is the third chapter, which deals with measures suggested by the French Government as an appropriate means of helping Austria.

I come to the last chapter of this memorandum — the chapter relating to credits. The programme which I have just outlined would not be complete if it did not include a plan for financial help. In this connection we must point out that any financial operations which may be set on foot assume as a basis the existence of security in the world, and especially in Europe, and consciousness of, and a desire for, that security.

Transfers of capital, loans and long-term mortgages are impossible unless confidence exists. The first of the financial measures to be applied is psychological, and it follows from the political measures: the establishment of confidence, in order to give lenders the certainty that they will recover their interest and capital. That must be the starting point of any considerable financial programme.

Let us suppose that at the end of this session of our Commission and of that of the Council of the League which will follow it, it should appear that concord between the nations, at one time threatened, has been strengthened by these discussions, and that we have been successful in re-establishing harmony and dispersing the clouds which at one moment arose above the Geneva horizon.

Do you not think that this fact would strike the peoples keenly and spread the certainty that the League of Nations is an organisation with a definite rôle to play and that, once put into action, it will solve the problems which are placed before it?

In the atmosphere thus created it would be possible to institute financial measures, and to consider requests for capital from those who are in need of it.

The French Government thinks that it would be advisable to request the Financial Committee of the League, or an organisation set up within the Committee, to receive the requests of States or groups of industries which are in need of capital. Borrowers would apply to the Financial Committee, or the office which would be opened. They would explain their needs, would say in what conditions they were prepared to borrow, and for what purpose the capital would be used. If the undertaking appeared to be important, useful, profitable, sound and justified, the Financial Committee's office would start a campaign to collect the necessary capital in the various countries and to settle the conditions of the loan. If it were necessary to issue securities, that would be done under the auspices of the League and with its moral authority. Lenders would certainly soon come forward. Such is the suggestion which the French Government puts before you, and which it believes you might usefully examine.

There is one other suggestion which would be more difficult to carry out, but which is worthy of attention: it consists in finding means of creating an international security which could be issued on the various international markets and which would be given large facilities for circulating freely in all markets.

As regards operations which do not come within the preceding category, short-term, medium-term and long-term credit operations, which would be left to the various markets, the French credit institutions have always been anxious to co-operate with the other creditor markets in order to make such credit possible. Steps have even been taken in this direction. Apart from the more important issuing operations which have taken place on the Paris market, the Bank of France has recently grouped together a certain number of French banks. This group has stated that it is prepared either to get into touch with similar groups in other countries or to intervene directly, so far as its assets permit, for the purpose of meeting those who are in need of medium-term credit.

Certain agricultural circles, on the other hand, have had occasion to emphasise the importance of developing the financing of crops. The French Government is prepared to approach those French banks which specialise in operations of this kind and to consider with them the concrete formulæ which would make it possible to offer such help either in France or preferably by agreement with the principal markets.

Finally, an appreciable improvement in international relations in the sense which I have just explained should in any event result in an increase in normal operations on all

markets. This is at present difficult, owing to the political atmosphere. It should in particular have the following effects :

(1) More general inclusion of quotations for first-class shares on the various national markets. At present these are often only quoted on their own market. The companies concerned would then be better informed and find it easier to obtain capital.

(2) More active participation of the various national credit institutions in investment operations abroad, either by investment of their reserves or of the product of bonds issued by specialised organisations.

(3) Constantly increasing facilities for the investment on creditor markets of important foreign issues, whether the loans of public communities, concessionary companies or private firms.

Obviously, in applying these measures, help should first be given to countries which urgently need it. In this connection, action which we contemplate on behalf of Austria on the industrial plane would naturally be completed by similar action on the financial plane.

It is equally obvious that the various parts of the French Government's constructive programme form a whole, and that the formation of industrial agreements for the purpose of avoiding anarchic competition, dangerous to the lending countries, should be accompanied by financial help.

Above all it is clear — and too much emphasis cannot be placed upon this fact — that, if such a programme is to be successful, it must be based on the existence in Europe of a general desire for relief. In the absence of this desire, savers in the various countries who are above all anxious for security, will continue to suspect foreign investments, whatever measures the Governments may take. Financial necessities are definitely connected with political necessities, and no solution will be satisfactory unless it is based on common support of a plan for European reorganisation.

Such are the main lines of the programme which the French Government asks you to consider. As I said at the beginning, this programme is open to discussion and amendment. You will feel — at least I hope I have given you this impression — that at no time have I been under the illusion that I hold truth in the hollow of my hand. On the contrary, I do not believe in doctrinarism. It could not possibly exist in the presence of the problem which we now have to solve. The best way of reaching a solution is to humble oneself before the facts and to learn from them. Nor should we expect a miracle which will settle everything in a moment. No such solution exists. The difficulties which we are endeavouring to overcome will rather be solved by unceasing effort, flexible and many-sided, in all directions at once. It must be made in a reasonable spirit and unbroken union, for the economic crisis superimposed, as it were, on the political wounds of our continent which have not yet properly healed may plunge Europe into anarchy and misery, unless we fight it shoulder to shoulder.

Europe can emerge from this ordeal stronger and more harmonious. Western civilisation will eventually benefit from it. It will mark a new step forward in the rational organisation of the nations. We must work with a fervent heart and with no thought in our minds except the common good.

M. SCHOBEE (Austria). — I have listened with the greatest earnestness to the speech of M. François-Poncet. I am very sorry that I cannot immediately answer the various questions raised, although it is necessary to remove the misunderstandings I noted in the course of his speech. As, however, it was decided yesterday that in this debate no special points must be discussed, I shall endeavour to confine my remarks to general considerations.

In 1925 the League of Nations asked Mr. Layton and Professor Rist for a report on the economic situation in Austria. This report concluded thus: "The main cause of Austria's present troubles lies in the difficulty of her commercial relations with her neighbours. We will only note that the problem really exceeds the limits of the Austrian question. It is, in fact, a European question." In the meantime, this diagnosis proved entirely correct. The troubles defined in this report as "le malaise économique" have meanwhile developed into a serious economic crisis, from which Austria is suffering most severely. Just before I left for Geneva, the Austrian Government was compelled to reconstruct, at the cost of heavy financial sacrifices, Austria's most important financial institution, whose paid-up capital had been practically wiped out as a result of the unfavourable economic conditions. There have been 400,000 unemployed in Austria during the past winter. Everybody knows the amount of hunger and misery and the burden on the State finances which such a figure means. Industries and agriculture are struggling almost desperately for their existence. Austrian imports exceed exports by

one thousand million schillings a year. We are all aware of the fact that there exists a worldwide crisis, and that it has affected almost every country ; but it cannot be denied that the situation of the new Austria is an exceptionally critical one.

Austria has realised from the beginning that closer economic relations with her neighbours are of decisive importance for her economic life. For this reason Austrian Governments have over and over again declared their willingness to enter into negotiations in this direction with all Austria's neighbours. Under Article 222 of the Treaty of St. Germain, Austria, Hungary and Czechoslovakia were permitted to put preferential duties into force. As this regime was to be limited to three States, to certain categories of goods, and to a period of five years, it was unlikely, from the outset, that use would be made of this article of the Treaty ; and, in fact, no use has been made of it.

In 1922, Austria was engaged in negotiations with Italy for a financial and economic union. In 1923 conversations took place with regard to a system of preferential duties between Austria, Italy and Czechoslovakia. Repeated negotiations were conducted with the German Government, for the purpose of discovering means to shape commercial relations between the two countries in such a way as better to serve Austrian interests while maintaining intact the principle of most-favoured-nation treatment.

In 1925, negotiations for a preferential regime were again commenced with Italy and Czechoslovakia. All these endeavours failed owing to political and commercial obstacles. These oft-repeated attempts, however, prove that Austria's economic problem has not been solved. Each Austrian Government has therefore been compelled to seek for a solution.

Within the last few years, however, all the other European States have also been forced, in varying degrees of intensity, to realise that their policy of commercial segregation, as it became intensified, was beginning to endanger their trade. The consequent trend of public opinion found its expression at the International Economic Conference of 1927. It was declared at this Conference that the economic restoration of Europe was impossible without economic disarmament. The League of Nations has since made numerous attempts to put into effect the principles of the Economic Conference. The schemes first proposed were intended to include all countries ; but later they were limited to Europe. In spite, however, of the adequate organisation of the League of Nations, the delegates did not succeed in obtaining positive results. The feelings of these Conferences have been described to us in a moving manner by M. Colijn, their distinguished President, at the last session of the Commission. As a matter of fact, we have to struggle against excessive unemployment, due to the industrial crisis and the plight of agriculture, without any hope of effective international schemes being launched and without even a practical programme for international collaboration.

Having regard to this dangerous position, I took the liberty at the last Assembly to explain that whenever important economic interests are opposed to each other and whenever, far-reaching discrepancies exist between the economic conditions of the various countries, it is impossible to reach agreement between twenty-seven European States without preparatory and transitional measures. I therefore suggested that negotiations should be entered into by groups of States, and their results adapted to each other. In fact, a number of attempts have been made in this direction.

The agrarian States of Eastern Europe have held several conferences and have decided to take joint action. Roumania and Yugoslavia have resolved to form a Customs union. The Netherlands, Belgium, and the three Scandinavian countries have concluded a convention on economic *rapprochement*. The industrial countries of Europe are in negotiation with Eastern countries to obtain favourable marketing conditions for the latter's agricultural surplus. Several countries are negotiating, on a collateral basis, commercial treaties with Great Britain. It is to be hoped that these attempts will give practical results, at least to a certain extent ; but we should not be deceived by the fact that the aims of these undertakings are strictly limited. Their results will, of course, be still less ample and cannot correspond to the magnitude of the economic and social problems with which we are faced.

We Austrians fully realise that no effective alleviation of European trade can be brought about by applying the policy of bargaining hitherto used, even to safeguard against further impediments. Even the Customs walls erected only a few years ago between Austria and her neighbours (all of whom, up to that time, formed part of the same economic unit), cannot be abolished by applying the old methods of commercial policy. Far less, indeed, can the Customs barriers between the other European States which have been increasing for more than half a century be banished by such means. Prompted by this conviction, and under the pressure of the extraordinary deterioration of the economic situation, the Austrian Government is eager to enter into negotiations with groups of countries and to apply new methods in these negotiations.

One method is the system of preferential duties. This system, which would produce a marked improvement in trade between the countries according them, cannot achieve its object unless all-round reductions of the duties hitherto in force are made on a large scale, and provided there is no petty bargaining over the various tariff items and the

respective preferential duties. The greatest difficulty experienced in establishing a preferential regime — a difficulty which has indeed hitherto proved insuperable — is that the assent of all most favoured nations, both European and non-European, must be obtained. The Austrian Government was bound to conclude, from the discussions which have taken place during the last few months at Geneva, Paris and Rome, that preferential duties, if applied at all, can for the present only be applied on a limited scale, in single cases and merely as a temporary emergency measure. This pathway then would not seem likely to lead us out of the labyrinth of excessive protectionism.

If so, the only course open to States which feel that they cannot introduce all-round free trade, and are obliged at the same time to make every effort to develop their trade in all directions, is to join a Customs union. A Customs union is not in contradiction to the most-favoured-nation system, and it eliminates the need for discussions that often lead negotiators astray on negligible points of detail. We are aware of the risks and sacrifices entailed by free trade, but must contrast them with the important advantages of economic development offered by the existence of large economic units. We have come to the conclusion that it is necessary for us to follow this system, as we have been prepared to do for more than ten years, with all our neighbours.

The Austrian Government is aware that the success of an undertaking of this kind depends, in the first place, on the attitude of the great Powers of Europe. Austria does not in the least desire to claim a position to which she is not entitled.

Objections have been raised to our scheme on the grounds that it is unlikely to bring about an improvement in European trade unless all, or nearly all, European States negotiate simultaneously and uniformly along these lines. This view is a reversion to the misconceptions that have, for the last four years, resulted in the failure of all the economic undertakings of the League. In these circumstances, it is not possible to reach agreement simultaneously between a large number of States, even on questions of minor importance, such as the abolition of import and export prohibitions. Negotiations between groups, therefore, become a necessity.

The assumption that, as a consequence of the formation of one or more groups of countries within which goods can be freely exchanged, Europe would necessarily be split up into a number of mutually hostile groups, is a misconception of the actual situation. The commercial policy of such groups would, of course, be more liberal than is now the case with single States. This would result from the multifarious character of each undertaking. It should, moreover, be noted in addition that one State could at the same time be a member of several groups. These groups would exert an irresistible attraction on each other, and would almost immediately show a tendency to amalgamate. Those who have a different conception of Europe's economic evolution do not realise the decisive fact that European States have introduced most of their import duties as a safeguard against each other, and not in order to cope with overseas competition. The larger the number of States which arrange for the mutual free exchange of goods, the larger the number of duties which can be dispensed with.

Austria's earnest and loyal intention to remain within the European concert and to make her regional action harmonise with that intention is proved not merely by the fact that she has been negotiating for ten years with various Governments for a better economic understanding, but also by her readiness to negotiate with several of her neighbours with a view to concluding agreements for the benefit of mutual trade by granting credit facilities and reducing transport costs in compliance with the recommendations of the Economic Organisation of the League. Austria, too, is participating in the negotiations with Great Britain; and in this connection the Austrian Government is of opinion that a free-trade country should be granted at least the same privileges as are conceded to a protectionist country in exchange for a reduction of its import duties. It is perfectly justifiable to argue and maintain that a State which allows free imports should be allowed free exports. That principle, however, is unlikely to lead to practical results so long as, on the strength of the most-favoured-nation clause, free trade would have to be granted to States which continue to impede trade by means of high tariffs.

Austria has shown that she is ready to negotiate on any reasonable basis. We are absolutely willing to co-operate in any scheme which other Governments may propose and to enter into immediate negotiations for the purpose. We shall carry on all such negotiations on parallel lines and subsequently co-ordinate their results. But we cannot wait any longer, and cannot be fobbed off with the promise of some new conference which, more likely than not, will be doomed to failure like the rest. We must insist on positive negotiations having some hope of success, negotiations which do offer the prospect of an adequate solution of our serious economic and social problems: for that is our duty towards the Austrian people.

*The continuation of the discussion was adjourned to the next meeting.*

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FOURTH MEETING (PUBLIC).

*Held on Monday, May 18th, 1931, at 4 p.m.*

*Chairman: M. Aristide BRIAND (France).*

24. **Economic Questions: The World Economic Crisis in so far as It concerns the Community of European States: General Discussion (continuation).**

M. LITVINOFF (Union of Soviet Socialist Republics): Mr. President, allow me, first of all, to thank you for your very kind words of welcome addressed to the new arrivals in Europe. My presence here will, I am sure, greatly rejoice the hearts of all the geographers of the world, for it confirms, if only partially, the hypothesis that the territory of the former Russian Empire is still to be found in Europe.

My position here is somewhat exceptional, if only because the country I represent is not passing through a crisis, but is experiencing unprecedented development in every branch of its economic life. This does not, however, mean that we are totally unconcerned by the world crisis, or that the interests of the Soviet Union are not thereby affected. The Soviet Union is at the present moment engaged in trade with the vast majority of European and non-European countries — a fact which in itself makes the economic perturbations in these countries anything but a matter of indifference. The fluctuation of prices is also an example of the way in which the crisis affects us. The execution of the far-reaching plans for the high-speed industrialisation of the Soviet Union necessitates and will continue to necessitate an annually increasing importation of industrial goods from other countries. My country has to rely, for the payment of such imports, almost exclusively upon its exports of raw material. The decline in the price of raw material during the last few years, taken in conjunction with the practically unaltered level of the prices of manufactured goods, reacts, of course, detrimentally upon the economic life of the Soviet Union. Thus the immediate connection between the world crisis and the interests of the Soviet Union is evident. Indirectly, these interests are encroached upon by various schemes against the Soviet Union conceived, and to a certain extent carried out, by some States, whether in futile attempts to extricate themselves from the crisis or with other aims for which the crisis serves as camouflage.

Last but not least, the relations to be established between the Soviet Union and other European countries cannot fail to react upon the development of the crisis.

I think I have said enough to demonstrate clearly what our interests are in the study undertaken by this Commission of the problem of the world crisis. I do not know if any delegates have effective remedies to suggest for the complete rehabilitation of the world. For my own part, I think no such remedies exist, or can exist. Anyhow, you will scarcely expect any such proposals, in this place, from a representative of the Soviet Union. It is common knowledge that we consider economic crises of over-production to be crises arising out of the capitalist system itself and inseparable from it. They are rooted in the profound clash of interests within this system, and make their appearance periodically, at more or less regular intervals.

No one is likely to deny, however, that the present crisis is the worst ever experienced by the capitalist system. This time we are confronted by an industrial crisis inextricably bound up, and not merely coinciding, with an agricultural crisis. The mutual interplay of these crises inevitably intensifies and prolongs the economic crisis as a whole.

The gravity of the situation is enhanced by the policy of monopolist bodies endeavouring to maintain high prices on the national markets of the various countries. No one can deny that this policy considerably hampers the absorption of stocks, creates almost insuperable difficulties in the way of getting goods to the consumer, and thus furthers the prolongation of the crisis.

It is generally recognised that the gravity and acuteness of the present crisis, especially in European national economy, are to a great extent due to the fact that they have their origin in special post-war conditions, caused by the disorganisation of world economy during the war, the system of post-war treaties, international indebtedness, new military caucuses, and so on.

It seems to me, therefore, that the Commission ought to devote its main attention to the study of those specific causes which have made the present crisis so acute, and of the measures capable of eliminating them, so that, if the crisis cannot be mitigated, it shall at least not be allowed to become worse.

The causes I have in view must, of course, be sought on the political as well as on the economic plane. They have their roots in the general situation arising as a result of the world war and post-war policy. I will merely enumerate them with the utmost brevity. The immediate connection between the increase in the burden of taxation and the crisis



is too obvious to require emphasis. It is equally obvious that the increase in the burden of taxation is chiefly caused by tenacious militarism and the incessant growth of armaments. Despite the Locarno, Kellogg, and a host of other pacts, upon which certain pacifist circles laid such high hopes, the growth of armaments shows no sign of decline or even of arrest, nor has the work of the Preparatory Disarmament Commission given much ground for hope in that direction. The policy of forming military-political caucuses continues and is turning Europe, and indeed the whole world, into a series of armed camps, whose only thought is to prepare for fresh sanguinary conflicts. The existence of these groups naturally intensifies competition in armaments, each State being forced to keep a look-out, not merely on this or that other State, but also whole groups existing or potential.

As economic differences increase, so political differences become even more acute; witness the increase of protectionism, which has particularly detrimental economic effect on post-war Europe, where the length of land frontiers has been increased by twenty thousand kilometres or about 30 per cent. It is, moreover, impossible to ignore the part played in creating and stimulating the crisis by yet another consequence of the war — namely, the burdens imposed upon European countries, in some cases in the form of reparation payments, in others through the so-called interallied indebtedness. This burden is felt most heavily by the broad masses of the population; it reduces their purchasing power, and prevents them from absorbing production. To this should be added the irregular and disproportionate distribution of world gold reserves, which lie useless in the vaults of a few countries; their inert mass presses heavily upon all the other countries, which are suffering from a gold deficit.

Special emphasis should be laid upon the menace which the lowering of the purchasing power of the broad masses of the population in town and country constitutes, connected as it is with unprecedented unemployment, the systematic lowering of wages, the reduction of the working-day of the employed, the cutting down of social insurance expenditure, and the increased burden of taxation, which falls heaviest of all upon the shoulders of labour.

All these factors are creating in Europe, and throughout the world, an atmosphere of political uncertainty — the fear of an impending catastrophe. This atmosphere affects the credit policy of the banks, paralyses investment, holds up the capital required for constructive work and thus still further intensifies and prolongs the existing crisis.

The feeling of mistrust and uncertainty prevailing in Europe is at the same time artificially enhanced by anti-Soviet campaigns, aimed at proving the necessity and inevitability of a military attack by the capitalist countries on the Soviet Union, an attack, the plans and conditions of which are openly discussed in the Press and at public meetings.

As I have already stated there is no lack of attempts to make of the world crisis a starting-point for these campaigns. Certain capitalist circles, which are particularly interested in distracting attention from the true causes of the present crisis, are endeavouring, with peculiar zeal, to divert enquiries into wrong channels, on the ludicrous assumption that practically the only cause of the present crisis is the very existence of the Soviet Union. To show how utterly absurd this is, it will be enough to point to the exceedingly modest place occupied at present in world trade by the Soviet Union.

The absurdity of the thesis is also proved by the fact that it is by no means only the markets to which the Union of Soviet Socialist Republics exports, but, to a considerable extent, the markets from which it imports, that have been affected by the crisis. The figures quoted in the report of the Economic Organisation of the League furnish a sufficiently vivid illustration on this statement. Thus the price of coffee fell from 16.25 cents per lb. in September 1929 to 10.3 cents in March 1930, while in the same period the price of tin fell from £204. 9s. to £165 per ton and rubber from 10s. 5d. to 7s. 5d. per lb. During the same period rice fell 49.2 per cent in price, olive oil 23.8 per cent, silk 48.1 per cent, and so on. Economic crises existed before the Soviet State came into being and, this being so, we are entitled to assert that the present crisis would have been more acute and widespread if Tsarist or bourgeois Russia — that is to say, a political-economic organism similar to that of the rest of the world — were in the place of the Soviet Union, for it would undoubtedly have been drawn into the general crisis, and brought its whole weight to bear upon it. Statesmen specially concerned to stave off social upheavals in other countries would have yet another care, and would perhaps be forced to call special international conferences to find means for averting social upheavals arising out of the crisis in Russia.

I should now like to ask the following question: Does the fact that one-sixth of the world, or almost one-half of the territory of Europe, is untouched by the crisis, that there is in the world one country whose imports of manufactured goods from other lands is increasing with every year, instead of falling off, whose orders are pouring into the factories of those lands, reducing unemployment, supplying foreign ships with freight, that this country has no unemployment, and its population is not pouring in its thousands to other lands in search of work, as they did under the Tsarist regime, intensify, or does it mitigate,



the world crisis? There can be no sort of doubt that Soviet orders, increasing from year to year, constitute a mitigating factor in the crisis. If it is borne in mind that 53.5 per cent of the total tractor exports of the United States of America went to the Soviet Union in 1930, that in the same year the Union received about 12 per cent of the textile machinery export of Great Britain, and from Germany 23 per cent of the total export of agricultural machinery, 21 per cent of lathes exported and over 11 per cent of the total export of other machinery, while in the first quarter of 1930 out of a total output from Polish foundries amounting to 77.1 million tons, of which 30.8 millions were exported, the Soviet Union alone took 30 millions, it becomes obvious that there can be only one answer to the question whether Soviet foreign trade is increasing or mitigating the present economic crisis.

It must be obvious to all that Soviet imports are a mitigating factor in the crisis, especially of Europe, since Soviet orders are more and more being transferred to European countries. Surely it is unnecessary to point out that once the importance of Soviet imports is admitted, it is difficult to object to Soviet exports which must be made to balance imports.

In recent anti-Soviet campaigns prominence has been given to the supposed unfavourable influence upon prices in the world market of raw material exports from the Soviet Union. No one will deny the lowering effect of any mass of goods on the market. But the same effect is produced by the same bulk of exports from other countries. Why then are the Soviets, rather than any other exporters, to be considered as the culprits in the matter of falling markets? How is it that exports from some lands are legitimate, while exports from others constitute an offence against world economy? What grounds are there for the limiting of exports of some countries in the interests of others?

Before going any farther, I should like to remind you that Soviet exports, in the majority of cases, are far from having attained the pre-war level. The wheat exports of Tsarist Russia, for instance, amounted to 25 per cent of world exports, whereas even in 1930 the Soviet Union exported not more than 20 per cent of the wheat on the world market. Soviet manganese exports were only 35 per cent of world exports, as against 51 per cent from Tsarist Russia. The flax exports of Tsarist Russia composed 53 per cent of all flax on the market, that of the Soviet Union being only 42 per cent. Tsarist Russia exported seventy-eight thousand tons of butter as against ten thousand from the Soviet Union. Why then, one asks, were not Tsarist exports subject to condemnation, since their withdrawal from the world market would have sent up prices considerably, to the advantage of competing countries?

The Soviet Union is still only beginning to win back, with regard to exports, the place it was forced to abandon owing to the war, military intervention and blockade. Again, why does not the increase in, say, Canadian wheat from 2,350 thousand tons in 1913 to 10,900 thousand tons in 1928, or the 810 per cent increase in Argentine butter exports evoke any protests?

Some time ago attempts were made to justify the campaign against Soviet exports by flinging the accusation of "dumping" against the Soviet Union. Not only could this accusation not be substantiated; it was, on the contrary, frequently and publicly refuted, and that not only by official representatives of the Soviet Union but also by impartial investigators and economists even in capitalist countries.

We do not, of course, deny that the special conditions of agriculture and foreign trade in the Soviet Union allow of the sale of agricultural products at lower prices than can be offered by other countries. These specific conditions are: the absence, thanks to the nationalisation of land, of those heavy calls upon the peasant population — rent, lease, mortgage — which are such a drain upon agriculture in other lands, absorbing sometimes 70 per cent of the cost of production, and the elimination of private profits, exchange speculation and the middleman. In the last resort, however, world markets are regulated by the law of supply and demand.

We are, of course, not interested in a lowering of world prices which would result in a lowering of our export receipts, which, as is generally recognised, are essential to us for covering the machinery imports we need for the building up of our industry, and would delay the fulfilment of the Five-Year Plan. We have, however, no desire to speculate in booms or slumps at the expense of the consumers of bread. It is in conformity with these considerations that we consented to take part in the Grain Exporters' Conference beginning to-day in London.

It is perfectly obvious that low prices cannot be regarded as indicating "dumping". If, however, by "dumping" is to be understood the policy of high monopolist prices on home markets and cut prices for export, it will be found that it is precisely the capitalist countries which are guilty in this respect, as to which we have authoritative and candid admissions. In the report of the International Labour Office there are interesting data as to that breach between home and export prices which is said to constitute "dumping"

and which is connected precisely with the policy of monopolist prices on home markets. I could quote examples indefinitely, drawn exclusively from the capitalist Press. In Czechoslovakia, for instance, sugar was sold last year for about 555 Czech crowns per hundred kilogrammes wholesale, and 600 crowns retail, while the export price was 80 crowns per 100 kilogrammes; in Poland the price on the home market was 400 zloty and on the foreign market 300 zloty: in Germany the price per 50 kilogrammes was 23-24 marks at home and 6.7 and 5.8 marks abroad. There are also well-known examples of agricultural "dumping". I need not dwell upon these points, which I suppose are known to you all through the various reports communicated to this Commission.

Only a few weeks ago M. Hotowetz — one-time Czechoslovak Minister for Trade — declared that it would be pharisaical to accuse the Soviet Union of dumping since neither Czechoslovakia nor any other capitalist country was any better in that respect. He specially named such exports as sugar and iron.

I have dwelt at length on the question of "dumping", not only because the accusation has been advanced in respect of our exports, but also because the policy of "dumping", consisting in the establishment of high monopolist prices on the home market, constitutes — as I have already pointed out — one of the real factors complicating and intensifying the crisis.

High prices prevent the absorption of stocks, they arise out of the "dumping" of monopolist organisations carrying out export, and high protectionist tariffs in the countries importing the corresponding products. The report of the Economic Organisation of the League referred to the breach between export and home prices, without, it is true, giving any explanation of its causes, and without formulating any conclusions. The fact, however, that with a 48.3 per cent lowering of the price of wheat from March 1929 to March 1931 on the open market in London, there is, in spite of an acute agrarian crisis, a 28.5 per cent rise in the price of wheat on the Berlin market, and a 12.9 per cent increase on the Paris market, shows clearly that such a policy with regard to prices can only curtail the already low purchasing powers of the broad masses, and render still more acute the existing crisis.

Thus the only way in which the crisis can be mitigated is by creating conditions which would at least do something to increase the purchasing power of the masses, and facilitate the absorption of goods stocks. Yet the proposals to which I have listened in this Commission tend precisely towards the intensification of the specific conditions of our times, preventing the mitigation of the crisis. These proposals would result in the further development of the policy of high prices, which are so grave an evil of the present economic situation. For after all, to what does the proposal made by M. François-Poncet, with regard to the extension of the present practice of international organisations in separate branches of industry, amount? The existence of steel and copper trusts has not staved off a crisis, but the existence of such cartels, keeping up price-levels in the face of over-production, has brought about a state of affairs in which stocks cannot possibly be absorbed and the crisis threatens to expand far beyond the usual limits. This being the case, the object of the proposal of the French delegate is seen to be the expansion and spreading to new spheres of the existing policy of capitalist amalgamation, establishing high prices for securing monopolist excess profits. It would seem that the mitigation of the crisis called for precisely opposite proposals.

In view of the importance of this question, and of the false accusations of "dumping" levelled at the Soviet Government, I would suggest that the States represented here should adopt a joint declaration, subsequently to be converted into an international Convention, for the compulsory filling up of the breach between these prices, and compulsory sale on the home market at prices not higher than on the foreign market. While we categorically deny the existence of Soviet "dumping", we would not refuse to take part in such an international act, which would indubitably have the most favourable effect upon the economic position of the broad masses of the population, raising their purchasing power and helping to absorb over-production, and thus mitigating the crisis.

I am endeavouring to map out the lines along which means might be sought for the mitigation of the crisis. The first essential, however, is to abandon false ideas. Such a false idea is the incessant harping upon the Soviet Union, the fight against which is declared to be the only radical means of curing the world from crises now and for evermore. A campaign like this may appear to be of temporary advantage to certain interested circles or even countries — not necessarily European — competing with the Soviet Union in the supply of the world market with raw materials, but it can never have anything in common with the interests of Europe as a whole or with the world crisis in so far as it affects the collectivity of "European States".

Not much imagination is required to realise that, in depriving Europe of a market so important and so fraught with rapid potential expansion as the Soviet Union, by depriving whole branches of industry of orders and thus increasing unemployment, the world European crisis will be intensified and not mitigated.

Unfortunately, up to the present, incorrect ideas have been sufficiently widespread as to the prospects of the development of economic relations between the Soviet Union and neighbouring countries. The reconstruction going on in the country, the carrying out of the Five-Year Plan, do not, and will not, lead to the curtailment of the Soviet Union's foreign trade. The more our national economy develops, the stronger it becomes, the greater will be its demands with their almost infinite potentialities. In addition to this, moreover, experience has shown the uselessness of such anti-Soviet campaigns, proved among other things by the fact that, in the very heat of that campaign, the Soviet Union has concluded the most important industrial contracts in Germany and Italy, is extending its trade with England and other European industrial countries, and is entering into negotiations with countries which have hitherto hesitated in this respect. Is not this sufficient proof that business considerations and economic interests of the capitalist countries — precisely during the present crisis — demand not conflict, but the extension and consolidation of relations with the Soviet Union, and that anti-Soviet campaigns have nothing to do with the crisis, but merely pursue either political or narrow competitive aims?

While pointing out the favourable influence of the Soviet Union's foreign trade on the present world crisis, I am far from desirous of creating an impression that there is harmony of interests between the two systems — the capitalist and Soviet — now existing in Europe. The differences between these two systems exist and will continue to exist. These two systems are struggling and will continue to struggle against each other by the very fact of their existence and development. The question is whether this struggle and development will be allowed to follow a natural process or whether both systems will have recourse from day to day to mutually hostile measures which can have no decisive influence on the outcome of the struggle, but will turn out to be two-edged weapons.

There are persons and Press organs (I do not know how seriously they are to be taken) who ascribe to the Soviet Government a "diabolical plan" for the sale of export goods below cost price, with the sole aim of disorganising capitalist economy. It would be difficult to imagine anything sillier than such a plan, which, while not deciding the fate of capitalism, would nevertheless reduce export receipts and consequently imports to the Soviet Union, thus delaying the socialist reconstruction, which is an infinitely more important factor in the struggle of the two systems. No less absurd are plans for combating Soviet foreign trade, for, while not deciding the fate of the Soviet system, these strike a far heavier blow at the capitalist States, where the crisis can only be rendered more acute by the fulfilment of such plans.

On the other hand, it would be naïve to expect capitalist States consciously and impartially to assist the construction of socialism in the Soviet Union, or the latter consciously to further the strengthening of the capitalist system. The question can only be one of economic agreements and dealings between capitalist countries and the Soviet Union, mutually advantageous for all parties concerned, and for which there is ample scope. I am leaving aside for the moment the possibility of military attack on the Soviet Union and have in view a peaceful period of a given duration.

It is time to realise that the Soviet Union is a fact that must be taken into account, that the Soviet Union cannot be made to disappear by the incantations, abuse and resolutions of certain groups and individuals, still clinging to their dreams of somehow getting rid of it by magic. If the countries here represented decided at a World Conference, meeting at Geneva exactly four years ago, to pass a resolution on the possibility of the powerful co-existence of two systems at a given historical stage, how much more reasonable to recognise and carry out loyally this resolution now, when the Soviet Union is still stronger, when it has shown in the last few years the immense scope in all its branches of economic construction, which have won the admiration of foes as well as friends, the mighty popular enthusiasm without which this scope would have been absolutely impossible.

A Commission of Enquiry for European Union cannot base its work upon a campaign, or the incitation to a campaign against any country or group of countries, without contradicting its own declared principles and aims.

I began by saying that I would propose no means for the elimination of the conflicts within the capitalist system, which underlie the world crisis. I do think, however, that something might be done to remove phenomena which unnecessarily aggravate these conflicts and increase and prolong the crisis. This requires, in the first place, the avoidance of everything tending to increase still further the atmosphere of mistrust, uncertainty and grievance, the existence of which makes it of no avail to speak of the peaceful economic co-operation of nations.

I am as yet unaware whether effective suggestions have been made to this Commission on the lines I have indicated. I know a great deal has been written and said about the establishment of the preferential system. I do not feel quite clear as to the exact meaning of this. Does it mean the establishment by every European country of special preferential tariffs for the produce of other European countries? It seems to me that something else

is intended — namely, the extension of preferential tariffs and other privileges for certain countries or groups of countries only. If that is so, would it not mean the transference to the economic plane of those very methods which before and after the war were applied — with extremely unfortunate results — on the political plane? Would it not result — instead of the realisation of the principle of a united Europe proclaimed in this Commission — in the division of Europe into economic groups and camps destined not to co-operate, but to combat similar groups, the stimulus in these combats being not so much economic as political motives?

We know, for instance, that, when the question of help for the so-called Danubian countries was raised at Paris, M. Fotitch, the representative of Yugoslavia, declared (if I remember rightly) that this help would be more of a social than a political nature. Here we see the question treated without a word about economics or the crisis, but simply from the political point of view. It seems to me that the creation of new *bloes* and groups, or the consolidation of those already in existence, the artificial economic support of some countries to the detriment of others, can only render the economic and political struggle now going on still more acute, increase the existing confusion and chaos and lead to results in direct contradiction to the slogans according to which this Commission was called to life.

It seems to me that the establishment of an identical attitude towards all States and — since we are now speaking of Europe — towards all European States, would do much more to facilitate the carrying out of these slogans, more especially that of the peaceful co-operation of nations. This demand that each European State should agree to establish identical treatment for all other States would eliminate all elements of discrimination whatsoever.

I should explain that, in advancing these proposals, I by no means intend to limit the sovereignty of States which are historically and economically disposed to special forms of close relationships. The principle of the free self-determination of nations, including the right of each State to enter into any unions and federations, so long as it is done really freely and not for temporary combinations directed against other countries, must remain inviolable. I may describe my proposal as a kind of economic non-aggression pact. I have endeavoured to expound the idea of such a pact in draft protocol, which I venture to bring before your attention.

I do not know what your attitude will be to such a protocol, but it will at least serve as evidence of the readiness of the Soviet Union — sure of its strength and utterly absorbed in the fulfilment of the tasks of international construction confronting it — to adhere as before to the principle of the peaceful co-existence of the two systems at the present stage of history, and of its having no aggressive intentions, whether of a political or economic nature, against any other nations.

M. HYMANS (Belgium) [*Translation*]. — My object in speaking is simply to comment on the two proposals which the Belgian Government placed before the Commission several weeks ago. I will, however, make a few observations with regard to the substance of the general discussion. These observations are suggested by some of the remarkable speeches we have already heard.

The discussion has shown that everyone recognises the importance, in serious economic crises such as the present European crisis, of reaching agreement as to the constructive proposals from which it may be hoped within a short time to derive practical results.

Various important suggestions have been put forward, and although Belgium is only indirectly interested, she is prepared, in a spirit of international fellowship, to help, so far as lies in her power, to solve the problem of Central and Eastern Europe. Above all, however, my country is anxious to see a general improvement in international trade. This is not a purely industrial problem. Indeed, several Western European States, including Belgium, are not only exporters of industrial products but also, and to a very great extent, exporters of agricultural products. In this connection, the French Government has suggested that the chief remedy lies in an increase in industrial agreements. In this way it is hoped that Customs tariffs will be lowered.

I quite recognise that this would be useful. I had occasion at the last session of the Assembly to point out that industrial agreements might offer a satisfactory solution for large-scale production. Generally speaking, Belgian producers are in favour of such agreements, and the Belgian Government is prepared immediately to consider any plans by means of which Customs exemption could be extended to the goods coming within the purview of such agreements.

At the same time, I do not consider this a complete solution, for it is difficult to conclude agreements for high-quality products. Moreover, the principal effect of these agreements is to normalise the existing situation. Our principal object — and on this the European States are in agreement — should be the expansion of markets. This can only be achieved by gradually lowering the existing barriers to international trade.

I am glad to note that the French Government, while insisting on the importance of industrial agreements, does not reject any other method which might lead to the same result, and, in particular, that it is prepared to continue the present negotiations as a result of which certain countries are hoping to bring about a revision of the existing tariffs. We should pay special attention to the negotiations between Great Britain and the principal industrial States of Europe, to which the Belgian Government attaches great importance. These negotiations may lead to the establishment of new facilities and guarantees, and thus to a rapid improvement in European commercial relations. The participating States drew up a plan at the conclusion of the thorough enquiry and lengthy discussions which took place at the two Conferences with a View to Concerted Economic Action. They reached agreement as to the procedure to be followed. These negotiations, the principles of which are now firmly established, should be opened immediately, and they should be pushed forward energetically. As Belgium is desirous that they should be brought rapidly to a conclusion, she is prepared, notwithstanding the modest proportions of her Customs tariff, to respond most liberally to the requests which have been addressed to her. I am convinced that the other States concerned have similar intentions. In a few months, therefore, positive results of unquestionable importance may be expected.

I now come to two proposals submitted to the Commission by the Belgian Government. They are of a limited nature. I shall refer only to the first, of which the object is to prevent the present position from becoming worse until such time as international trade has improved.

The object of the Commercial Convention concluded at Geneva on March 24th, 1930, in execution of a resolution adopted by the tenth session of the Assembly was to introduce guarantees of stability in the trade relations of the European States signatories. One of the proposed guarantees was the institution, in the Convention itself or in previous bilateral agreements, of a procedure for notification and redress, in the event of a contracting party desiring to increase its unconsolidated Customs duties.

The idea of such redress is not new. It has already appeared in various commercial treaties, particularly two treaties concluded by the Economic Union of Belgium and Luxemburg.

The Commercial Agreement of April 4th, 1925, with Germany stipulates :

“ Each contracting party agrees, in the event of its modifying its present Customs system, to have due regard, in so far as such modifications may specially affect the interests of the other party, to reciprocity and to the development of the trade of the two countries on equitable lines.

“ If one of the two contracting parties should consider that any Customs duties established by the other party are at variance with the preceding engagement, the two parties declare themselves willing to enter into oral negotiations immediately on the subject.”

There is a similar provision, more precise and completed by a sanction, in the Commercial Agreement of February 23rd, 1928, between the Economic Union of Belgium and Luxemburg and France. It is contained in Article 5, and is as follows :

“ The High Contracting Parties, having concluded the present Agreement in respect of the tariffs at present applied by them, and having communicated the changes which they intend to introduce therein, agree, without thereby relinquishing their freedom in regard to tariffs, that, if either party should later impose tariffs in excess of the tariffs in force, or of the tariff proposals communicated at the time of signing the present Agreement, on any product or class of products which the other party may consider of particular importance to its export trade, the latter may request that negotiations be opened forthwith, and, if these do not reach an issue within forty-five days from such request, may denounce the present Agreement at a month's notice.”

We think this idea is worthy of the special attention of the Commission of Enquiry for European Union.

When the Belgian Government was invited to submit proposals for the agenda of the Commission, it observed, in a note which has been distributed to you (Annex 6), that the main object of the European Union which it was proposed to found was to set up a system based on the fellowship of the nations of Europe. Such a system implies, in the first place, that, as far as possible, the States shall avoid taking any steps which may be detrimental to the interests of other States. In taking steps in economic matters to safeguard their national interests, however, they do not always sufficiently bear in mind the interests of other nations. This is particularly the case in times of crisis. The public authorities, faced with serious difficulties, react separately with a kind of reflex instinct for preservation. It often happens, therefore, that in their great anxiety to solve their internal difficulties they take steps which injure neighbouring States. These States feel resentful and sometimes even retaliate, with the result that, far from the evil being cured, it is simply aggravated.



The procedure for notification and redress laid down in the Commercial Convention of March 24th, 1930, would to some extent remedy the evil. It would enable contracting States whose interests seemed likely to be affected by increases in the Customs tariffs of other contracting parties, to ask for redress and the necessary adjustments. This guarantee was, however, limited to increases in Customs tariffs. The Belgian Government therefore proposed that its application should be extended to other spheres, and in particular to international trade as a whole.

Unfortunately, the Commercial Convention has not yet come into force. The States which have ratified it did not reach agreement at the Conference which met at Geneva in March 1931.

The Italian Government suggests that we should make a new attempt to put it into force. In spite of the obstacles in the way, I very much hope that this effort will be made and will prove successful.

M. Colijn, who presided with such authority over the International Conferences with a View to Concerted Economic Action, suggested that the Commission should make a pressing appeal to all European States to apply the principles of the 1930 Commercial Convention.

Whatever may result from this suggestion, I consider that the Commission should adopt as one of the rules for European union the principle of previous notification of all laws or regulations through which one European State may injure the trade of other European States, and the principle of the right of recourse of the State which is injured.

If the Commercial Convention is put into force, the moral obligation thus created will extend the contractual undertakings resulting from this agreement. If, on the other hand, the Convention definitely fails, we shall at any rate retain one of its most important principles.

I propose to submit to the Committee a draft resolution based on the considerations which I have just put before you.

The Belgian Government has also suggested the preparation of an agreement for the purpose of ensuring the success of a new conference on the treatment of foreigners. I will not, however, discuss that at present, as I do not wish to lengthen my speech. I would merely draw attention to the note which has been distributed (Annex 6) and which I would ask you to read. The question is sufficiently explained in that note.

M. RAMEL (Sweden) [*Translation*]. — After M. Hyman's observations, with most of which I am in agreement, I should like simply to raise the following questions.

The Swedish Government in its reply to the Secretariat of the League of Nations with regard to future negotiations has already emphasised that it is not only the excessively high Customs barriers which are impeding normal trade between the European countries, but also the continual alteration of Customs tariffs, and in general the absence, in a number of countries, of a stable commercial policy. In this connection, the Swedish Government points out that commercial treaties are very often of short duration and are frequently altered, and that in some countries there is a tendency to give a new interpretation to the provisions of the commercial treaties already in force.

The object of the Commercial Convention of March 24th, 1930, was to provide a stable foundation and an atmosphere of confidence for the concerted economic action contemplated by the Assembly at its tenth session, and thus to contribute towards the progressive stabilisation of commercial policy. The failure of that Convention, the impossibility of reaching agreement as to its entry into force within the time-limit, was also a check to the work of the Commission of Enquiry for European Union. Sweden, as one of the very few countries which ratified this Convention, did everything it could to bring about positive results at the Conference held in March 1931, when the conditions under which the Convention should be put into force were discussed. Our efforts were useless. I merely state the facts: I do not wish to reproach anyone, but I do not disguise the gravity of the present situation. Those who are attending the present meetings have a very great responsibility.

The Italian delegation made here a suggestion which I have examined with great interest: that we should consider the best methods and most appropriate procedure for bringing the Commercial Convention into force without delay, with the accession of the greatest possible number of European States. My Government would welcome sympathetically any proposal which might lead to the acceptance of the principles on which the Convention is based, and is ready to examine that proposal and anxious to arrive at a satisfactory conclusion.

Time would, however, be necessary before this plan could succeed, and in some cases it would be necessary once again to approach the Parliaments of the respective countries. Consequently, it should be remembered that, even if the Italian proposal meets with general approval — as I very much hope it will — considerable time will elapse before the Convention can come into force. This period will be one of uncertainty and instability. I venture, in this connection, to draw attention to M. Colijn's speech at the closing meeting of the Conference of March last regarding the entry into force of the commercial Convention. M. Colijn then expressed the hope that, when the States regained their freedom to denounce after April 1st, their commercial treaties, they would not take advantage of their power, but would refrain from such action. He expressed the



hope that the Commission of Enquiry for European Union would find a way of doing what the Customs Conference had been unable to do.

The Belgian and Swedish Governments will submit a draft resolution to this Commission as to the institution of a procedure for notification and recourse in connection with international trade. This proposal also recommends that the States should give proof of their goodwill by refraining from using their power to denounce the existing commercial treaties.

I consider that the principle contained in this proposal is of capital importance to the success of the work which the Commission will undertake as a result of the suggestions and proposals just submitted to it. In my view it is an essential condition for the success of the work to be undertaken. Only thus will it be possible to lay down the firm foundation which is so necessary if the States are to co-operate in an atmosphere of calm and security, sheltered from unpleasant surprises in the vast and difficult piece of work which is before us.

TEVFIK ROUCHDY Bey (Turkey) [*Translation*]. — My first desire is to thank our Chairman for his kindly observations and the warm welcome given to the Turkish delegation last Saturday. I shall take advantage of this opportunity, however, to say a few words with regard to the very serious economic depression through which our continent is passing. I shall not examine here its profound causes and its many factors, as the previous speakers have already done so in detail and have shown their importance.

My aim is not, therefore, to give a diagnosis, but simply to express certain reflections on the conclusions to be drawn from the experiments which have already been made, and the measures recommended for the purpose of combating the serious crisis from which the whole world, and Europe in particular, has been suffering for several years. These experiments are, indeed, of great importance. They reflect, as it were, the light thrown on them, and in their turn illumine the road ahead. I attribute special importance to the plans outlined and the steps proposed by the various delegations here present. They have given us very valuable information and suggestions, and I am convinced that it would be useful to endeavour to reconcile them. The few reflections which I wish to submit for your kind consideration are inspired by this desire.

There is no need for me to dwell on the present aspect and on the origin of the problems of over-production and the decrease in the consuming capacity of the nations, or on the important part which money and credit, together with labour, continue to play in production. It is the less necessary for me to do so because very thorough enquiries have been made in this field by the technical organisations of the League of Nations, and eminent economists have dealt authoritatively with the subject. I will confine myself to pointing out that the economic parcelling out of the world, and in particular of Europe, is simply the result of a series of economic and political factors which are closely connected and which at the same time represent a new phase in the evolution of the history of humanity.

The raising of Customs barriers, against which we hear so many complaints, is only the inevitable result of this parcelling out and of the creation of new frontiers. This leads me to point out that, in addition to the economic interdependence of the world, national and even regional economy is also an established reality. These economic facts, although they appear to exclude one another, can actually be reconciled.

I will take several examples from among the measures recommended, following the order in which they were proposed, in order to show briefly our point of view with regard to reconciling the economic interests of the nations and the measures proposed in the Commission — a point of view which is based on the idea of an equitable balance between the interests to be safeguarded and the sacrifices to be made.

In the first place, a Customs union between two or more countries might doubtless have the advantage of removing some of the Customs barriers, extending the sphere of economic activity of the communities in question, and reducing some of their expenditure. On the other hand, it would have the disadvantage of creating more solid and resistant economic "fronts" within the international community, unless the conditions under which it was brought about were made to harmonise with the needs and interests of that community. Such a step could only lead to useful results if these elements of harmony and equivalence to which I have just referred were present, and this would not seem to be impossible.

We also support the point of view that the various countries should continue to negotiate and freely to conclude commercial treaties, granting one another quotas if they so desire, and treating the other countries on an equal footing in respect of one another. We have adopted this principle in our commercial agreements with various countries.

With regard to credit, we should naturally not overlook either the fact that the lenders require guarantees of their state of mind, but, in order to complete our examination of this problem, we must add to these factors the psychology of the borrowing country, its interests and its desire not to hamper its normal development. It is therefore desirable that, while bearing such factors in mind, we should prepare various types of contracts

for international loans. In this way, we shall avoid raising obstacles caused on the one hand by the national susceptibilities of the borrowing countries, and on the other by the anxiety of the lending countries to have guarantees. Such equivalence will facilitate the solution of the problem.

The question of the formation of international cartels should be considered from the points of view of production and distribution. It should be noted, however, that countries whose economic system is not organised in this way will naturally bring about equivalence and ensure rapid development by the application of a State policy to certain branches of production. This would in my view greatly facilitate the realisation of the ideas which have been expressed in this connection.

The Turkish delegation recognises the importance of European regional co-operation, but does not exclude the possibility of world co-operation in an atmosphere of peace and tranquillity. Such continuous collaboration, which would level out the present difficulties and create unity of interest between the countries, would be the most solid foundation for peace, that magnificent ideal for which it is our duty to work, and the success of which alone can compensate for our sufferings during the present crisis.

In conclusion, I have special pleasure in quoting one item of the programme of the party which is at present in power in Turkey. It affirms the following principle: peace at home and peace abroad.

M. BEELAERTS VAN BLOKLAND (Netherlands) [*Translation*]. — It is almost superfluous for me to say with what interest I have listened to the remarkable speeches of several of our colleagues on subjects which are of particular interest to my country, in view of the great importance which it attaches to world commerce and international trade.

I have no intention of expressing a final opinion regarding the ideas and plans which have been put forward during the past few days.

I simply wish to make a general statement and to emphasise three principles which the Netherlands Government does not wish to be forgotten. In so far as we are asked to co-operate, we shall study the ideas and plans to which I have referred without delay and with an ardent desire to contribute to the early establishment of a new era of tranquillity and calm, which — as our Chairman has already so truly said — the economic life of the world so greatly needs. My country has always tried to help in this work by its autonomous commercial policy and by its policy in regard to economic treaties, both bilateral and multilateral.

This general declaration leads me to one of the principles to which I have just referred. The Netherlands Government considers that any attempt at economic reconstruction should start from the idea that the autonomous policy of each country must be based on respect for the interests of other States so far as this is possible. This idea was affirmed in the Oslo Convention between the three Scandinavian countries, Belgium and the Netherlands.

Economic reconstruction, of which the multilateral conventions are the crown, should be based on a liberal policy. The object of bilateral and regional treaties is both to regulate the questions which interest only a few nations and to prepare for the conclusion of general conventions. The Netherlands Government will neglect none of these measures for helping to ease the economic situation of the world and of Europe in particular. It has acceded willingly to the Geneva economic conventions, and associates itself unreservedly with the desires expressed by the Belgian representative in regard to the principle of notification, and by the Swedish representative in regard to the non-denunciation of commercial treaties, as provided for in the Geneva Convention of March 24th, 1930.

In the second place, I would say that the Netherlands Government shares the view of the representative of the French Government, M. François Poncet, with regard to the most-favoured-nation clause. This clause — or rather the system embodied in it — should continue to be the basis of our economic relations, for the sake of the equality in the conditions of competition and the atmosphere of tranquillity which it ensures. My Government does not intend to depart from the line of conduct which it has hitherto followed and which has led it to oppose any policy which might invalidate that system. Nevertheless, it is only necessary to consult the commercial treaties concluded by the Netherlands to ascertain that we recognise the existence of normal cases in which the clause cannot operate. I would add that we are also prepared to admit that there are situations so abnormal that an exception to the rule is merely its confirmation, as our French colleague said. Obviously such exceptions should never harm the interest of a country whose treatment of other countries is based on a system which, broadly speaking, involves a very low tariff, perfect equality and the absence of weapons.

In conclusion, I should be wanting in the frankness which characterises our discussions if I hid from you that the Netherlands Government is not unreservedly in favour of industrial agreements. I do not deny that in some cases such agreements, if applied with prudence and in a spirit of sincere respect for all the interests at stake, may exercise a salutary influence on the economic life, in the general sense of the latter term.

Two points should be borne in mind. I consider that the Governments, and consequently the League of Nations, are called upon rather to supervise the working of such agreements in order to see that they are not detrimental to the public interest than to take an active part in bringing them about. In the second place, and here I am in complete agreement with my Belgian colleague, if the heavy industries and certain others which may be

assimilated to it are suitable subjects, should the need arise, for industrial agreements, that is not the case as regards articles of high quality. In view of the position of the Netherlands in which the latter industry is predominant, I am compelled to make a reservation in regard to industrial agreements. The Netherlands Government would be unable to accept measures likely to be detrimental to an important branch of its economic activity which, owing to a policy of freedom whereby conditions advantageous to production are guaranteed, has developed satisfactorily without artificial means.

I will confine myself to these observations, and once again assure the Commission that my Government will actively co-operate in the task before us, which calls for a rapid and efficacious solution.

*The continuation of the discussion was adjourned to the next meeting.*

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### FIFTH MEETING (PUBLIC)

*Held on Tuesday, May 19th, 1931, at 4 p.m.*

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*Chairman : M. Aristide BRIAND (France)*

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#### 25. Economic Questions : The World Economic Crisis in so far as It concerns the Community of European States: General Discussion (continuation).

M. MUNCH (Denmark) [*Translation*]. — The discussion to which we have listened during the last few days has shown a very real appreciation of the gravity of the economic crisis and the need for finding remedies for that crisis. We in Denmark share this feeling.

Denmark is an agricultural country, and it, like other countries, has been going through a serious crisis as a result of the fall in the price of the animal products which it exports. We are extremely interested in the prosperity of the countries to which we sell our products, and we are firmly convinced that the economic conditions in different countries are so closely connected that it is extremely important to all of us that trade should not suffer in any part of our continent. I have listened therefore with very great interest to the statements concerning the numerous remedies that have been proposed here.

I imagine we shall all agree that we shall have to devote closer study — perhaps in a sub-committee, but in any case in the various administrations concerned — to most of the proposals that have been made. But I should like first to submit a few observations, from the point of view of a country which practises a commercial policy of a definitely liberal character, on certain of those proposals.

In the first place there is the question of preferential duties. Every year, after September is past, this question comes up in the economic discussions of the League of Nations. The peasants of Denmark, who are profoundly convinced that free trade is the best means of creating a really well-organised agricultural system, and have carried their own agriculture under that system to a very high state of development, are not enthusiastic supporters of a preferential system. It is possible, however, that in some countries the situation is such that the preferential system may be temporarily useful or even necessary.

So far as cereals are concerned, we have no direct interest in preferential duties. It is true that we import into Denmark a rather large quantity of cereals; but we cannot grant preferential duties because we have no duties of any kind on the import of cereals. We regularly import a certain amount of cereals from the countries which have been mentioned here, in particular Poland and Roumania; and it is possible that the adoption of a preferential system by some countries in respect of cereals from certain exporting countries may give rise to difficulties in connection with our own imports of cereals from those countries. But that is not a decisive factor determining our attitude.

The vital point in our view, if the system is to be put in practice, is to maintain the principles enunciated by M. François-Poncet in regard to the most-favoured-nation clause — that is to say, to treat the present case as the exception which proves the rule. But — *pace* that proverb — there is always the risk of exceptions becoming precedents and establishing a new rule. The only preservative against that unpleasant development, so far as any preservative is possible at all, is, I think, to stipulate explicitly and in the clearest terms that no preferential system may ever be applied without the approval of all the countries enjoying rights based on most-favoured-nation treatment.

We come next to the question of cartels which has been discussed for some years past by conferences and commissions of the League of Nations, and is the subject of an interesting exposition in the French memorandum.

I do not know whether it is really possible for Governments to do much in support of these big industrial organisations. Perhaps they can do something by means of a system of preferential tariffs: but in that case we shall be faced with the same difficulties as in all other cases where the attempt is made to establish preferential systems. What is certain is that, if States lend their support to cartels, they are thereby assuming responsibility for the

economic policy of those organisations. This means that it will be absolutely essential to create some concurrent system of international supervision which will be both effective and impartial. It is only natural that a country like ours, which is without the raw materials required by its industry, should display a certain uneasiness as to the consequence of the development of big international industrial combines. On this subject we concur entirely with the point of view expressed yesterday by the representative of the Netherlands.

Our attitude in regard to these understandings is very accurately expressed in the report of the Economic Conference of 1927. In common with that Conference we recognise that, when these understandings are conceived on broad lines and governed by considerations of the general interest, they may help to give the workers greater stability of employment and lower prices for the consumer. But we also agree with the Conference in thinking that these undertakings when not governed by considerations of the public interest may block technical progress and entail great dangers for consumers and workers alike.

One favourite practice of these combines is the restriction of production. I recognise that in certain abnormal cases restriction of this kind may be necessary: but it is always very dangerous. The present crisis may be regarded as due either to over-production or to under-consumption. I myself think the latter is the truer explanation. The present situation is truly absurd. The technicians have done their work, and we have reached a point at which we are able without difficulty to produce all the commodities that mankind requires. But at the same time it appears impossible to arrange for the distribution of these commodities in such a way as to meet the requirements of consumers. The stocks accumulate, while millions and millions are without the products they require. If the purchasing power of the great masses could be appreciably increased, there would be no crisis. But restriction of production may itself very seriously affect purchasing power. It may lead both to increase of unemployment and to a rise in prices, and to that extent weaken still further the purchasing power of the peoples.

In any case, if we wish to be sure that these industrial understandings take the public interest into account, it is essential that they should be effectively supervised. The Economic Conference recommended supervision of this kind in the case of international industrial understandings. It emphasised the necessity for wide publicity in regard to the character and activities of these bodies. The Inter-Parliamentary Union, during its Conference last year in London, passed a resolution in the same sense. It recognised that these organisations may be useful in certain cases, but added that, in view of the "harmful results which they may have both from the standpoint of the general interest and from the standpoint of States, they should be regulated". It recommended the organisation of the requisite publicity and supervision by the League of Nations. I hope the sub-committee, which I presume we shall appoint, will be guided by the principles asserted by the Economic Conference and by the Inter-Parliamentary Union.

As regards the general idea of a system of Customs unions embracing gradually the whole of Europe, everything depends, in my opinion, on the character of such unions. A Customs union between two, three, four or five States may be concluded either by increasing the different tariffs to the level of the country with the highest tariff or by reducing them to the level of the country with the lowest. The consequences in the two cases will be very different.

It goes without saying that my Government supports the idea put forward by the Italian Government that the Commercial Convention which we signed and ratified should be revived. If such revival is not possible, we hope it will at least be possible to accept the proposals put forward by Belgium and Sweden and resume the efforts made with a view to establishing a more stable situation in regard to Customs policy than that which has prevailed in Europe in recent years.

Mr. HENDERSON (Great Britain). — We have now been discussing this question for three days. Our discussion has made it plain that the Continent of Europe, in common with the rest of the world, is passing through an economic crisis of greater severity than any experienced in modern times. It has revealed to us more convincingly than ever that the depression both of agriculture and of industry has been comprehensive in its scope and appalling in its consequences.

Consider the tragic paradox of the present year. Europe — this Europe which we here represent — is in danger of general paralysis. In our countries unemployment, poverty, actual starvation, are present, and yet, while men walk the streets and cannot find work to earn bread for their hungry families at home, the cornbins of Europe and of the countries overseas are bursting with food that cannot be sold. Our potential power to create wealth is greater than it has ever been. Capital, by countless millions, is lying idle in our banks waiting to be used. There are hundreds of millions of people in the world whose demands, not for comforts or luxuries, but for the strict necessities of life, are not, at the present time, satisfied in anything like reasonable measure, and so far we have been unable to find the means to break this vicious circle of disaster.

It is with the problem of how to break that circle that our Committee is face to face. I am hoping that from now onwards we shall face it with resolute determination to find an issue, that we shall set on one side every consideration of *amour-propre* or of prestige, that we shall concentrate attention on the real economic interests of the simple men and

women whom we represent ; that we shall be resolute to work together and by constructive co-operation to reach a solution that shall be acceptable to us all. If we are to do that, we must probe to the causes that have brought us to our present pass. They are, as M. Litvinoff said yesterday, many and various. As he said, the after-shock of the world war is in great part responsible for our present situation. Armaments, beyond all question, are a contributory cause : an atmosphere of international security, of freedom from the fear of war, is the first condition of economic prosperity. For that reason, I agree with President Hoover that the success of the Disarmament Conference next year would do very much to bring the world crisis to an end.

I do not agree with M. Litvinoff that warlike plans against the Soviet Union are a factor in the present unrest. I ask him to banish from his mind any thought that the Members of the League are plotting war against his people. I assure him that we are hoping for increased peaceful intercourse and trade between his country and ours, and we shall welcome all the help that he can give us to secure an atmosphere of confidence and trust, based upon the mutual observance of our international obligations.

But, as he said, the causes of the present situation are many and various. The over-expansion of certain industries during the war, the over-expansion of the supplies of certain raw materials, the partial dislocation of the gold standard system, the fall in the purchasing power of silver and other allied monetary consequences — I need not trouble you with the recital of all the various factors which economists in recent months have been discussing. But I ask you to note that none of these different causes can be dealt with by the national action which any one of our Governments can take alone. Each of us is impotent to control them if we try to act alone. Not only so, but there is no sectional solution, no action by any regional group which can do very much to help the general solution. Even those like Dr. Curtius who have proposed a regional action recognise that such regional action can only have a limited effect, and indeed have only put it forward because they hoped that it might lead to something wider.

It follows that if anything practical is to be accomplished, if our deliberations here are not to remain mere empty words, if we are not simply to drift on to disasters — perhaps far graver than those which have already overtaken us — we must act together for our common good. I want to say in the plainest language, that I believe it should be possible for this Commission to find a programme of concerted international action, through the machinery of the League, which will help to remedy our present situation. I know only too well the difficulties involved, but I know too that, if we here, responsible Ministers in this room, desire to overcome them, we can do so.

In recent months, there has been a kind of defeatism abroad, regarding the prospects of international economic co-operation through the League. Such defeatism seems to me absurd. From the beginning of its work there has been nothing in its record more strikingly successful than the economic and financial work which the League has undertaken. The Brussels Conference, the World Economic Conference, the financial reconstruction schemes in Austria and elsewhere, the refugee settlement schemes, the work of the League Committee and Conferences on transit and communications, the other work of the Economic and Financial Committees, right down to the agricultural credits scheme, which has just been completed — at every stage there have been remarkable successes which, taken as a whole, have brought immense benefits to the countries of the European continent which we represent.

Even in regard to barriers to international trade, the work of the League has not been entirely fruitless, though progress has been disappointing. Many of the post-war discriminations and restrictions on trade have been swept away and an increasing measure of liberty has been allowed. The present crisis has brought home to us anew the absolute necessity for concerted economic action. In many countries public opinion has begun to understand the useless suffering that economic nationalism has caused. I am happy to know that there are other Governments which share this view.

Various proposals — some of them ambitious — for such concerted international action have been put forward. We have had suggestions from the French, the German, the Italian, the Belgian, the Netherlands, the Russian and a number of other delegations. For my part, and speaking for the Government I represent, I may say that we shall examine all these proposals with the sympathy which they deserve. The most comprehensive plan which has been laid before us was that of the French delegation. I was glad to note that M. François-Poncet, in his admirable speech, told us that the scheme which he outlined was not a rigid proposition to be accepted or rejected as it stands. I would reply to him by saying that while there are some parts of his scheme about which I now feel difficulty, there is no part of it to which we will not give our fullest and most sympathetic consideration.

It may be that his proposals for the agricultural countries may be facilitated by the discussions of the Conference of the wheat-exporting countries now meeting in London.

With regard to the financial proposals which the French representative laid before us, I should like to say at once that we heartily endorse the general principles which he put forward. The greater part of Europe is calling urgently for credit, but the countries which



have surplus resources seem more and more reluctant to lend ; thus the waters which should irrigate the plains of Europe are dammed up in unproductive reservoirs.

We are hoping that this week a definite result may be reached on the Agricultural Credits scheme which the French delegation proposed at the last session of this Committee. We hope that measures may be evolved which will promote the flow of credit in other directions for the benefit of Europe as a whole. We hope that, before we separate, we may have agreed upon the means by which these principles shall be given prompt and fruitful attention.

I also welcome very warmly what the French representative said on the subject of tariff reductions. This is an aspect of our present problem to which my Government attach a great importance. Everyone remembers the proposals put forward eighteen months ago. We are convinced that there can be no remedy for the present situation unless the Governments here assembled are prepared to reach a practical result in this domain. Nothing can come of the credit plans in an atmosphere which is poisoned by narrow ideas of economic nationalism.

I say without hesitation that the essential condition of our success is to end what M. Beneš has so rightly called "the present state of economic war". What is happening in Europe to-day? Nations are striving by every means to keep out foreign goods. By so doing they are impoverishing both their own and other nations. This policy is madness. It is a wild attempt to reverse the historical process by which the international exchange of wealth has raised the standards of living of all our peoples. It is a fight against the great economic forces of the age. Every year shows more clearly that men can produce far greater wealth by far less labour if their production is on a greater scale.

By this folly of economic nationalism, of economic war, we are striving to hold in check those very forces which can most improve our lot. It is in reversal of this policy that we see the hope of immediate fruitful action through this Committee for the common good.

I repeat that, in our view, among the different causes which contribute to the present world depression the magnitude and the high level of protective tariffs rank first and foremost. Everywhere in recent times countries have vied with one another in putting up barriers against trade. They are barriers against prosperity, for, behind those barriers, uneconomic and wasteful production has been subsidised, which competes with the natural harvests of more favoured countries for an ever-narrowing free market.

Meanwhile, the principal creditor countries have insisted on the payment of the debts which are due to them and refused to accept the goods which the debtor countries have to offer. They shut their eyes to the fact that international trade must take the form of barter. A debtor must be allowed to sell his products if he is to purchase other people's goods or to pay his debts. But instead of this the creditor countries have insisted on payment not in goods but in gold, and the consequent scramble for gold has largely contributed to the recent catastrophic fall in prices.

This sequence — namely, tariffs and payments of debts and the scramble for gold— is sapping the very foundations of our economic system. Everywhere the agricultural countries, the primary producers, are being forced into bankruptcy, because they are asked to pay in the gold that they have not instead of in the goods that they have. The industrial countries in their turn find that they can no longer sell their manufactures and are therefore forced to maintain, publicly or privately, millions of their people in a state of unemployment

Europe cannot afford millions of unemployed. The standards of life of her peoples do not admit of a further deterioration. Everywhere the cry is going up, "How long?". We have trodden long enough this path which is leading us to disaster. The time has come to break the vicious circle. We must cease to make economic impossibilities into political necessities.

As I said, my Government has repeatedly brought this question before the League. Some of our people have become discouraged. If the rest of the world, they ask, persists in this madness, can we maintain our sanity? If such counsels should prevail, it might mean an era of economic conflict and dislocation, more desperate than anything we have yet seen, and the last state of Europe would be hard to imagine. Before it is too late, we call once more for a change of policy, for a reduction of tariffs, for the abolition of restrictions on trade.

As I make this appeal, I am glad to recognise the handsome assurances which are given to us by the Belgian Minister for Foreign Affairs and the French representative. We want to press forward with our present negotiations with them and other Powers; we want to start negotiations on an even wider basis; we will consider any other suggestion that may be made for guarantees to international commerce.

I hope the Committee will not think that by stressing this question of tariff barriers we are needlessly emphasising again plans which have already been put forward. We believe,



indeed, that those plans may still have their full result if our Governments will only accept the necessity of close economic co-operation as the guiding principle.

There are, of course, strong vested interests to be faced, but each Government must frame its policy by reference to the needs of its people as a whole and not to the interests of sectional industries. We must develop the will to succeed. I repeat again that, in the negotiations on which we are about to start, we are prepared to consider on its merits any and every proposal that may be put forward.

We shall enter into these negotiations with a determination to get results — results which will help us to solve the grave economic and political crisis by which we are faced. We shall come to these negotiations with an open mind, persuaded that we must all of us make concessions to reach the agreement which our common interest demands. It is plain that we cannot at this present session reach decisions on the plans put forward. We must determine therefore the procedure to be followed, and I want to suggest the creation of a sub-committee which can lay before us proposals to this end.

Before I suggest a resolution for this purpose, may I say one final word?

We are faced to-day by an international dispute — the first dispute in which the great Powers of our continent have been divided before the League. Can we not here resolve that we shall reach a common plan by which agreement among us shall be restored?

Twelve years ago our countries were at war. Our sons were fighting on the field of battle. Our peoples were divided by a gulf of hatred and suspicion which many thought it would take us a generation to remove. In these last few years we have begun to re-establish a mutual understanding. For that result we owe an undying debt of gratitude to the great leaders of the French and German peoples. This understanding between nations which so lately were engulfed in war is the most precious asset of our continent to-day. Let us enter therefore on the negotiations that are before us with a resolute determination to find a common plan, and so let us finally establish that understanding on foundations that no future differences between us can ever shake.

In conclusion, I propose the following draft resolution :

“ The Commission of Enquiry decides to establish a sub-committee to recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes which have been submitted to it.

“ This sub-committee should meet forthwith and present its report to the Commission of Enquiry to-morrow or at latest on the the following day.”

M. BJOERNSSON (Iceland) [*Translation*]. — Before this general discussion is closed I should like, on this occasion when Iceland is represented for the first time here at Geneva, to state on behalf of my Government how much it appreciates the invitation to take part in the work of this Commission and to thank our Chairman for the cordial welcome he has given me as the representative of Iceland.

My Government follows with increasing interest the great work carried out by the League for the benefit of mankind, and sees in the fact that the invitation to come here has been extended to European countries which have not as yet become Members of the League, a further proof of the breadth of view which inspires this Commission and the League.

M. ZALESKI (Poland) [*Translation*]. — Our Chairman invited us in his opening speech to consider together in detail and in frank discussion the best means of overcoming the difficulties with which the economic life of all the European peoples is at present confronted. I propose to respond to his appeal and will endeavour to state my Government's attitude in regard to the problems at present arising in the matter of European economic co-operation.

Several previous speakers have noted that the efforts made in the direction of economic *rapprochement* in the form of multilateral agreements have not yielded the results which were anticipated, and that the work of the League of Nations in this field has not been very successful. There is no doubt some truth in this contention : but the Chairman was right in saying that we should not draw too pessimistic conclusions from the experience of the past or allow ourselves to be discouraged for the future. I was very glad to hear that Mr. Henderson was of the same opinion.

The underlying reasons for the failure of certain efforts made up to the present require careful consideration. It seems to me that the main reason is to be found in the one-sided nature of our economic efforts. We have been inclined to regard the exaggerated protection of industrial production as the sole cause of the economic crisis, and from this narrow standpoint have confined our search for remedies for the current economic difficulties to the cultivation of understandings with a view to the reduction of industrial tariffs.

I am far from denying the importance of any measures for the stabilisation or reduction of Customs barriers. I may remind the Commission that Poland was one of the first countries to accept the proposal made by Great Britain at the time of the Conference for Concerted Economic Action for negotiations as to the best means of facilitating international trade. The attitude of my Government, which still appreciates to the full the idea put forward by Great Britain, is based on its high appreciation of the liberal policy of Great Britain in respect of all imports including imports of agricultural products.

But, unhappily, the liberal policy of Great Britain has not been adopted by certain other countries which constitute important markets for agricultural products, and the condition of agriculture is becoming steadily worse. The policy of prohibitions to the entry of the surplus production of certain European countries coupled with the continued increase of Customs duties on agricultural products, of which the level has now reached an exorbitant height, has done much to provoke the crisis in agricultural production, which is one of the most important branches of European production as a whole.

The economic situation has undergone great changes. Territories which for decades past have been markets for agricultural products are beginning themselves to export certain of those products. The result is seen in movements of prices which in the case of cereals have amounted in Europe to as much as 400 per cent — a development for which there is no precedent. The consequences of this state of things have quickly made themselves felt. The general economic crisis, coinciding with the agricultural crisis, has been aggravated to a formidable extent.

The representatives of the European agricultural countries have long since pointed out that there is no means of effectively combating the economic crisis without making adequate provision for the vital requirements of the agricultural countries. Such action need not exclude a moderate amount of tariff protection. The agricultural countries of Europe have always taken the view that there can be no general improvement in the European economic situation, unless the purchasing power of the population of the agricultural countries (numbering more than 100 million inhabitants) is increased. But it is impossible to increase their purchasing power unless their production is assured of remunerative prices. In the course of last year eight agricultural countries in Central and Eastern Europe held a number of conferences and were successful in establishing a common programme on a number of essential points as a means of remedying the difficulties of the present crisis.

The importance of the agricultural problem has only recently been appreciated to its true extent or given its proper place in the European economic programme. The *desiderata* of the agricultural countries are now, it must be admitted, the object of a better understanding, particularly so far as this Commission is concerned. One of the main causes of the failure of international economic effort has been the disproportion in the treatment of industrial and agricultural questions. The readjustment of this fundamental error is the condition precedent to any final success for the work on which we are at present engaged or any future work of the same kind.

I should like also to call attention to the unjustifiable difficulties which stand in the way of the free transport of live-stock products across the territory of certain countries. Those who deplore the difficulties created by the existence of the numerous Customs frontiers should, I think, welcome warmly the idea of concluding veterinary agreements as a highly effective means of doing away with the harmful effects of these frontiers in so far as the circulation of products of animal origin are concerned.

In the discussions which have taken place two new lines of action have been proposed. One was the conclusion of regional Customs unions which, it is suggested, should ultimately lead to more general agreements. The other system of combating the economic crisis looks to the conclusion of general agreements on a European scale.

For my part, I cannot share the view of those who advocate the former system. I cannot believe that it is capable of facilitating a general European understanding. On the contrary, the conclusion of regional Customs unions can only render more general agreement more difficult, if not impossible.

So long as it was only a question of bilateral agreements on the basis of most-favoured-nation treatment, there was a complete assurance that such agreements would not contain elements calculated to injure the interests of third parties or to go counter to the fundamental principles of European co-operation. But as soon as it becomes a question of agreements which go a long way beyond the most-favoured-nation clause, as Customs unions do, there is reason to fear that, under present circumstances, they may lead to serious complications.

The free entry of a product of one contracting party into the market of another party necessarily means the elimination from the market in question of the same product of a third party, particularly where the country with which the Customs union is concluded is the principal source of supply. In such a case the necessity of avoiding grave complications for the economic organisation of the importing State will undoubtedly lead to an increase of Customs tariffs as against third parties, rather than to any reduction of tariffs.

Customs unions will create privileged areas of expansion for the production of particular countries and will lead to a reaction on the part of other States in the shape of the establishment of other economic groupings with a view to compensation for the injury thus occasioned.

I think the States which advocate regional Customs unions also realise the grave economic upheavals to which Europe would be exposed under present conditions as a result of the inevitable rivalry between the various unions. As a means of guarding against such dangers, they have stated their readiness at any moment to undertake negotiations with isolated States or groups of States with a view to extending the application of their Customs union. I do not question the sincerity of the invitation ; but I regret to say I am convinced it cannot be realised in practice. The States invited to negotiate would find themselves confronted with accomplished facts and consequently would be at a disadvantage as compared with the States issuing the invitation. The experience of recent years, moreover, justifies in my mind a certain pessimism. Even the negotiation of bilateral agreements between certain European countries in the shape of ordinary commercial treaties has proved impossible up to the present.

I believe economic co-operation can and should proceed in two directions.

In the first place, there is the method of multilateral negotiations on the basis of the plan put forward some days ago with great clearness by M. François-Poncet. This plan has a number of important features which are capable of realisation, taking into account the special position of Austria and certain other countries. The plan should be supplemented by action in regard to the problem of the trade and transit of live-stock — a point of capital importance for agricultural countries. The practical steps required in this connection have frequently been explained, and I need not recall them now. I confine myself to reserving the right to make proposals on the subject at some future date.

Secondly, economic co-operation can also proceed along the line of bilateral agreements based on generally recognised principles. In this connection, I share the view of the Italian representative who has emphasised the importance of such agreements. Bilateral agreements of this kind are valuable, not only to the contracting parties but also to third countries.

I want also to draw attention to a misunderstanding in regard to the interpretation of the principle of regionalism. The understanding and co-operation of eight agricultural countries has been quoted as an example of the practical application of the regional principle. Co-operation in this case is free from the defects to be observed in other regional understandings, and falls entirely (as the eleventh Assembly of the League recognised) within the limits of the economic work of the League, and does no injury to the interests of third countries. The regional agreement of Oslo, to which Poland is not a party, is also innocuous.

Much has been said with regard to the distinction between the economic and the political side of regional understandings or Customs unions. This purely academic distinction cannot survive the test of experience, as M. Grandi pointed out to the Commission yesterday with great effect. Every country is compelled to bring its policy into agreement with its economic requirements. The real danger arises when the relation between the two is inverted ; and it is for this reason that I think any proposal or plan which seeks to subordinate economic to political considerations should be condemned.

I agree with the Chairman that no common action is possible except in an atmosphere of mutual confidence and good faith. If this preliminary condition is not realised, all our efforts will remain barren and useless. A common endeavour for a general relaxation of tension appears to be the principal requirement at the present moment.

Before concluding, I am anxious to emphasise the conciliatory character of the speech delivered by the representative of the Soviet Union. It is well known that the reappearance of the Soviet Republic in the markets of the world has led to difficulties in the world's trade and lively anxiety in consequence in business circles, which in its turn has given rise to a certain alarm on the part of the Soviet Press. Under these circumstances M. Litvinoff's statement is well calculated to remove a number of misunderstandings as to the part which the Soviet Union is at present playing and proposes to play in the future in the world's trade. While reserving, on behalf of my Government, the right to state our attitude in due course as to the draft protocol submitted by the Soviet delegation (Annex 7), I am anxious to state that the principles enunciated in M. Litvinoff's speech appear to afford a possible basis of concerted economic co-operation between the Soviet Union and the other European countries. The attitude of the Soviet delegation at the Conference in London will, I hope, be such as to facilitate the conclusion of an agreement with regard to the trade in cereals.

After Mr. Henderson's statement, which I for my part desire to reiterate with the utmost possible emphasis, I am sure M. Litvinoff will return to his country convinced that there is nowhere any plan for coalition against the Soviet Union and that all rumours to that effect are ridiculous and unfounded. No European Government, I am sure, thinks of constructing coalitions against the Union. If M. Litvinoff returns with that conviction, his visit to Geneva will be of great value for the development of peaceful co-operation between the nations.

M. BENEŠ (Czechoslovakia) [*Translation*]. — The long discussion in this Commission and the numerous interesting speeches, full of ideas and of facts, to which we have listened are sufficient reason for my not wearying you further with any lengthy explanation of the Czechoslovak Government's attitude.

I have had occasion to speak at length in the Czechoslovak Parliament on all the questions on the agenda of our Commission. I am happy to find that my ideas are at one with those of many of my colleagues. I am glad, because I see in this a proof that, beyond

frontier barriers and despite the special interests of particular States, we are being compelled as a whole by current conditions in Europe to think along the same lines and in many cases to seek the same solutions. I go so far as to say that we are in process of discovering that the economic crisis is so profound and so general that we should be on the road to what may prove a disaster for all our peoples, if we had not the courage to make a common effort, in a spirit of genuine and sincere co-operation, to take immediate steps first to limit the crisis and then to find a solution for it — which object we may attain step by step if we are prepared for unceasing, practical and effective work, but work which must necessarily be continued over a long period.

It would take us too long to examine the causes of the present crisis in their entirety. There are two kinds of economic crises. Some are external and temporary in character, and their usual symptoms are well known: these are cyclical crises. Others are organic in character like the present crisis, which is due to the profound and fundamental changes in the economic, social and political system of the present post-war period and the social structure of the present day as a whole. It is wrong to shut our eyes to the necessity on the years to come of going to the root of the evil and seeking the means of putting an end to these organic causes of the world's economic crises. They show us clearly that we are passing through a great period of transition in the whole economic life of Europe.

The very fact of the meeting of this Commission, a body for which there is no precedent, is a proof that this is so. Much attention is now being given to the question of what are the main causes of the crisis, in particular, the structural and organic causes. The League of Nations has set up a Special Committee of Experts with a Swedish chairman, M. Olin, at its head, which will undoubtedly throw light on these problems. The Director of the International Labour Office has also prepared for our use a study of the subject which is of the utmost value.

One reason for the world crisis, it is generally admitted, is the over-production in certain regions and in certain branches, particularly in the case of agriculture. Another is the rationalisation of production, the effects of which may be compared with the famous industrial revolution due to the introduction of machinery in the last century. The increase of industrial production as a result of rationalisation and technical progress is more rapid than the consuming capacity of mankind. The consequence is over-production leading to crisis, unemployment, bitter competition and the struggle for markets, exaggerated protectionism, and in a word the appalling state of economic war in which we are struggling to-day.

The policy of high protection and the closing of great world markets like Russia, India and China have still further increased the disproportion between production and consumption. The settlement of war debts and the relations between America and Europe are another factor in the crisis. Lastly, one of the chief factors of the economic crisis or of its continuance is the political anxiety which prevails and the great conflicts which it occasions.

These political conflicts principally affect Central and Eastern Europe, and that in two ways. In the first place it is this part of Europe which has been the scene of the principal political changes resulting from the war. Some ten new States have arisen on the ruins of three great monarchies with all the economic difficulties characteristic of young and new countries, with the inexperience of new nations in certain cases and in other cases with feelings of discontent or craving for expansion and a sense of youthful ardour. All this has made havoc of the economic system and of the economic, commercial and financial relations of Europe.

It is the consequences of these developments which we have to-day to face; and it is to these consequences that we give the general name of European and world economic crisis.

It follows that the principal factors of the crisis — I have not mentioned them all — are general in character, worldwide and organic. It is for this reason that the crisis is so universal and so deep-rooted. It is this also which makes it so difficult to struggle against it. The struggle has also to be general, international, and indeed worldwide; it has to be, if I may use the expression, structural — that is to say, it has to go to the root of the trouble — and the means of so doing is to be found in international co-operation or at any rate pan-European co-operation. That is why it appears on the agenda of this European Commission. It goes without saying that the process must necessarily be of relatively long duration.

I do not wish to dilate on these theoretical and general considerations. I come at once to the practical proposals before the Commission.

Remedies for the economic crisis have been proposed to us, which I may group together for convenience under three headings: (a) System of Customs unions; (b) System of agricultural preference and industrial understandings coupled with a Customs truce; (c) System of special bilateral treaties.

I do not wish to say overmuch with regard to the system of Customs unions. Dr. Curtius himself yesterday told the Council that Customs unions are not a panacea for every ill. I go very much farther than Dr. Curtius. I think all generalisations are inaccurate and dangerous in any political or economic question, and particularly in the case of Customs unions. Each case is different from the others and each should be considered separately.

I find also that the question of Customs unions is primarily a political question, whether it is intended as such or not; and the consequences of this should be recognised. Secondly,

if an economic union once concluded may benefit some, it may ruin others. Thirdly, the result of such a union in the present state of Europe can only be to provoke the formation of a second rival group, the result of which must be conflict between the rival groups and economic war.

The evident conclusion of all this is that we must come to the single logical solution, which is the foundation of our Commission's programme and was, indeed, implicit in M. Briand's memorandum of May 15th, 1930. But preparatory work is necessary first and this needs time. Any hasty experiment, any attempt to force the hands of others, would inevitably endanger the entire programme. I proclaim in all frankness my conviction that Europe must develop along these lines, and that relatively soon, and that the policy which, while remaining as liberal as possible, nevertheless affords the agricultural countries the possibility of reaching a higher level of economic and even industrial culture, which for their own national ends is indispensable, must inevitably take the place of the exaggerated protectionism which at present prevails in the majority of European States. Stabilisation of tariffs should be the first step, because it is more important, especially at the outset, even than the reduction of tariffs which Mr. Henderson has so warmly recommended. Reduction will come later.

It is only by directing our efforts along the lines of progressive economic equalisation as between the European countries that we shall make possible the real preparation for a genuine European Customs union and, after it, the actual transition to such a union. To endeavour to induce such action immediately by means of a union accessible to everyone appears to me simply impossible for the reason that, under present economic conditions, and in the complete absence of all the preparation which is required for such an undertaking, it would mean in the case of certain States heading direct for disaster.

This is my attitude in considering the French Government's plan and the Italian proposals, and I am convinced that it is the right road under present circumstances. There is no general formula which will lead us out of the crisis. There is no magic ring by means of which we can cure Europe. We require continuous and progressive effort in the shape of practical measures of a general character but grouped in successive categories, as the French plan proposes: and these should be supplemented as occasion requires by other measures which experience will undoubtedly force us to adopt at future meetings.

We shall undoubtedly be compelled at subsequent meetings of our Commission to consider, side by side with the question of industrial undertakings, the problem of unemployment in the light of such international considerations — for they have already ceased to be purely national — as the reduction of the hours of labour and the rigorous application of international conventions on the subject. I do not wish to increase our work at this session, and I do not raise the problem at the moment; but it will arise of itself in due course.

Returning to the plan of the French Government as submitted by M. François-Poncet for a solution of the agricultural crisis by means of preferences, I wish to state that the Czechoslovak Government is glad to accept the principle on which the plan is based. The essence of the plan is a system of Customs preferences for cereals and cereal products. The first essential is that it should be applied in a practical, prompt and effective form.

The best means to this end, I believe, will be found in the form of bilateral treaties leaving the most-favoured-nation clause intact and restricting the preferential system rigidly to the agricultural products in question. I am anxious to emphasise my view that no exceptions should be allowed to the most-favoured-nation clause in the industrial sphere in the sense of excluding such other States as enjoy the benefits of most-favoured-nation treatment from any special advantages of whatever kind. Each State should be free to choose itself, in the light of its own internal requirements, the best form of applying agricultural preferences to its territory:

States coming under the system of agricultural preference should be compelled to inform the Committee, for which provision is made in the French Government's plan, of all the preferential benefits granted, even if granted as a result of bilateral treaties. M. François-Poncet laid stress on the desirability of making provision for such changes in his practical proposals — particularly as regards technical details — as may be found necessary; I therefore suggest this general arrangement as being highly elastic and calculated to satisfy everyone.

As regards the best means of mitigating the crisis in so far as it concerns industry, my Government is prepared to consider any proposals for the reduction or stabilisation of Customs dues and to co-operate in any action taken to that end. Further, it believes, in common with the French and Italian Governments, that multilateral action with a view to a Customs truce is the natural and effective complement of bilateral action. I am authorised by my Government to inform the Commission that the Commercial Convention for the Customs truce has already passed the Committees of the Czechoslovak Chamber and will now proceed on the normal parliamentary course and will shortly be ratified.

My Government thinks, for this reason, that it would be desirable to take fresh steps in this matter, bearing in mind such circumstances as may render necessary or desirable certain changes in the form of the Commercial Convention of March 24th, 1930. It may, for example, be necessary to adapt the Convention to such measures as may subsequently be taken for putting into force the system of preferences: but this need not prevent continued action along the lines already followed with a view to accelerating the deposit of such ratifications as have not yet been received.



My Government agrees with the French Government's view that it would be wrong to attribute the cause of the present crisis solely to the increase of Customs duties, and that this increase is rather an effect than a cause of the crisis, as recent events have shown. My Government accordingly considers it necessary to readjust the machinery of production and distribution.

The French Government regards industrial understandings as a very important means of effecting such readjustment. The Czechoslovak Government is prepared carefully to study these problems: but it is anxious to draw attention to the complexity of these questions and the difficulties to which they give rise, some of which were pointed out by M. Grandi in his speech. Difficulties would arise, for example, if industrial understandings in the form of cartels were combined with regulations concerning Customs duties, since this would mean their transfer to the sphere of commercial policy. But these are details. We are in general agreement with M. François-Poncet.

The Czechoslovak Government welcomes undertakings which by developing the international organisation of credit are calculated to assist in improving economic conditions, particularly in the agricultural countries of Central and Eastern Europe. The plans of the French and Italian Governments contain a series of valuable suggestions which deserve serious consideration. My Government is prepared carefully to consider these problems and is prepared to vote immediately in favour of the agricultural credit proposals.

The Czechoslovak Government proposes to take an active part in the establishment of the International Agricultural Mortgage Credit Company, since it considers that the work of this Company will constitute a valuable means of giving prompt and effective assistance to agricultural production, particularly in States which suffer from a shortage of capital.

On the whole it considers — in common with eminent international specialists in financial questions — that the scheme of international credits is much more important than is generally believed.

The questions arising in connection with the special assistance to be given to Austria, to which M. François-Poncet referred, are no doubt highly complicated both in form and in substance, and for this reason require very special consideration. My Government is not therefore opposed to a special committee being appointed to deal with these matters in all their aspects, though at the same time we would emphasise the importance to Austrian commercial relations with foreign countries of satisfactory bilateral treaties concluded on the basis of the most-favoured-nation clause so as to make it possible to take the special interests of Austria into account in connection with tariff questions. Treaties based on agricultural preference may here be of the utmost assistance.

My Government is fully aware of the economic difficulties of Austria, though it does not for that reason share the view that their main or sole cause is to be found in the field of commercial policy. We all have difficulties, and they are due to a variety of causes. But even on this point we are in general agreement with the French Government's proposals.

The present situation in Europe is economically bad. The coming months will not pass without over-clouding or without difficulties. Future years may be better: but I repeat, it must not be forgotten that European economy is passing through a difficult period of transition and that we shall have considerable obstacles to surmount.

I think it is in any case essential that we should do at once what is absolutely necessary. It is indispensable to approve the principle of agricultural preference. The system of agricultural credit must be accepted. The work in regard to industrial understandings must be begun. The committee of experts which is to study the practical steps to be taken in connection with international industrial questions must be appointed. Above all, the resolution proposed by the Italian Government with regard to the Customs truce must be passed. That programme in itself comprises considerable achievements which should not be under-estimated. I am well aware that sceptics will not be satisfied: but it is our duty not to allow sceptics to hinder our progress.

In order to enable our current programme to be realised step by step until it terminates in the grand stage of European union, and so puts an end to the period of economic transition in Europe, we require two things. In the first place each one of us, when he returns to his own country after seeing here with his own eyes the real difficulties of Europe with which we are all confronted and afflicted, must work in his own country, and struggle if need be, for the ideas on which we generally find it easy to reach agreement at Geneva, but which it is very difficult to put into practice at home. National public opinion in all countries must realise the true international situation, and support us in the difficult task of European economic co-operation, without which European civilisation will indeed be in danger.

In the second place we who are here, the majority of us in the capacity of Foreign Ministers in our respective countries, realise better than anyone how impossible of accomplishment this economic co-operation is, if we do not secure at the outset some sort of international political truce. We are in a vicious circle. The crisis makes the politicians nervous, and the bad political situation in its turn aggravates the economic crisis and prevents its solution. But, if ever there was a moment favourable to the feeling



of European co-operation and to work in that spirit, it is the present moment. The Czechoslovak Government realises this and will do its duty accordingly.

M. MICHALAKOPOULOS (Greece) [*Translation*]. — I shall not recall the causes of the uneasiness which at present prevails in the European economic system. These causes have received attention at a number of conferences and international meetings, in special reviews, in the economic sections of the Press, in books and even at universities.

I must add that the peoples listen to what is said with a certain feeling of scepticism. Some years ago the economists were saying: "We are suffering from a crisis of under-production. There is only one remedy. We must work. We must produce." The peoples worked. They produced. To-day the economists are saying: "There is a crisis of over-production".

It has perhaps not been realised that the malady of the war was too severe to allow of its consequences being cured in a short time and without joint effort and co-operation. If the competent authorities to whom the peoples look as physicians remain with their arms crossed, the malady may prove fatal. That is why we should co-operate and exchange ideas, if we do not wish to inspire confusion and despair in the spirit of the peoples.

I have listened with the keenest interest to all that has been said. I admit that all the proposals which have been put forward contain very important elements which, if made to harmonise, may point the way to results much more practical than those obtained up to the present.

I think I may say that all the discussions taking place at our meetings for some time past have pointed towards a new system consisting in the establishment of certain Customs preferences between the peoples of Europe. No one fails to recognise the advantages of the most-favoured-nation clause: no one denies the services it has rendered up to the present. But the circumstances of the present time are exceptional, and exceptional circumstances call for exceptional remedies.

No one, of course, is blind to the difficulties to be overcome, the suspicions to be dispelled, the apprehensions to be allayed. The overseas peoples are afraid — the signs of this are already apparent — that a kind of "*Little Entente*" is about to be established in Europe, a sort of economic Monroe Doctrine. They are afraid that the European peoples, without going so far as actual exclusion, or contending that the European economic systems should be exclusively European, may set up a certain preference for European economic products. This idea gives rise to anxiety in the countries overseas. Is it altogether impossible to dispel this anxiety and to overcome these difficulties? My country does not believe so, partly because it is persuaded that in the end the overseas countries will realise that understanding between the European countries, by enriching each particular country, will end by profiting the agriculture and the industry of overseas countries, and partly because, if Europe is economically organised, it is easier to arrive at agreement, since it is easier to co-operate with a compact organisation than with separate units, some of which are strong and some weak.

I do not, therefore, think there is any ground for apprehension if a preferential system is established. All the proposals before us imply something of the kind or, at any rate, regard such a system as a necessity. My country is prepared to take part in discussions on these lines. It is prepared to adopt solutions capable of improving the present position which, it is impossible to deny, contains germs of social dangers.

I want to ask the Commission to give favourable consideration to a point which will form the subject of a proposal I shall have the honour to make. There has been talk of a certain harmonisation of the interests of industrial countries exporting industrial products with those of the agricultural countries with wheat surpluses. I think the term "wheat" should be taken in the widest sense as including all cereals. I should like to ask for equal consideration for other agricultural products. There are countries which have no wheat surplus, but have surpluses of other agricultural products. It is consequently natural and reasonable to give equal consideration to their interests, just as is done in the case of commercial interests between industrial countries.

The proposal I put before you is as follows:

"That the interests of agricultural countries with surpluses of products other than cereals should also be taken into consideration in studying the proposals submitted to the Commission."

I think this proposal is in accordance with the highest conceptions of justice, equality and solidarity which have always been the hall-mark of meetings at Geneva.

M. MARINKOVITCH (Yugoslavia) [*Translation*]. — In his admirable speech Dr. Curtius gave as a reason for "construction from below" the fact that hitherto all efforts to arrive at a general solution and establish a general economic programme have failed. M. Briand replied that we should not be so quickly discouraged. I think that in the present instance M. Briand is right. At the same time it is desirable to avoid unduly frequent appeals to the courage of the nations and peoples. It is indeed high time to establish a general programme and to arrive at tangible results.

In my view, which I expressed in January last, the real reason why it has not been possible, up to the present, to do anything to enable us to make a rational beginning by constructing from below — which is essential — since, until we build simultaneously from above and below, we shall do nothing effective or practical — the real reason, I repeat,

why it has proved impossible to establish a general programme is the obstinacy which has too long prevailed and the persistent attachment of the industrial countries to a solution which they thought right and wanted to have adopted at whatever cost without being prepared to try any other.

Customs barriers have been treated as if they were the sole evil, and we have been told that the real remedy of the crisis was to be sought in the reduction of these barriers. We, the representatives of the exporting agricultural countries, know that this is not the case. We have learned from practical experience that this is not so. It is not the Customs barriers which stand in the way of agriculture. Even if certain European countries which protect their agriculture were to lower their tariffs or abolish them altogether, the only positive result would be the ruin of the agriculturists. It is clear therefore that for us the practical solution proposed is of no value whatever. So long as no other solution is put forward and there is no disposition to look for any other solution, there can be no result. We shall have courage, as M. Briand urges us to do. We shall continue to wait and look for a more tangible solution offering a prospect of results. But the solution which is proposed to us offers us no grounds for hope: and it is certain that, if the Commission of Enquiry for European Union once again fails to accomplish anything, we shall drift inevitably into the formation of those groups which we have every reason to fear.

Construction from below may prove satisfactory, as Dr. Curtius thinks: but it may also prove unsatisfactory. If it leads to the formation of highly powerful economic groups, these will inevitably find themselves confronted with one another, and conflict will result. It is possible that these groups may come to see that agreement is better than conflict and that unity will come out of them, as Dr. Curtius suggested. It is possible, I say: but I think it would be wise not to count too much on human wisdom. The other possible result — that is to say, conflict and perhaps catastrophe — is unfortunately much more probable.

The reduction of Customs tariffs which is urged upon us not only does not constitute any remedy for us but would tend to stabilise the present position, which we do not want, since it is based neither on goodwill nor on a conciliatory attitude.

Agricultural labour is at present paid four or five times less in our countries than industrial labour, and this is a situation which cannot be tolerated. It is obvious that the *beati possidentes* are always conservatives. A Geneva paper this morning quoted a Norwegian proverb — I do not know if there really is such a proverb! — to the effect that a mouse sitting on a piece of bacon thinks all's well with the world. But we who are not sitting on the piece of bacon do not find all's well with the world, as we are told it is.

It is certain that a solution must be found which makes provision for a genuine organisation, and I welcome the French Government's offer to submit to us a general programme. I do not approve of all the details of the programme: but it represents an effort to find a general solution. If we make a beginning, we can presumably adapt the programme to requirements. We shall not at the outset achieve perfection: but we shall obtain such a result as will enable us to wait and not lose confidence in the work of the Commission for European Union. If we do not succeed, if we continue always to say the same things, then, in spite of the goodwill which we all always display in regard to international solidarity, the patent fact that such solidarity does not exist will force each of us to pursue his own policy. So far as the agricultural countries are concerned, that policy is clear. It will consist in increasing the Customs tariffs and in creating markets behind them which we shall be compelled to protect, since we cannot find markets elsewhere.

M. TITULESCO (Roumania) [*Translation*]. — I have sufficient experience of these meetings not to make a long speech at this hour.

In the Commission of Enquiry the Roumanian Government will explain its attitude in detail in regard to preferential tariffs and the assistance to be given to Austria. I wish, however, to state at the outset that my Government is in clear and emphatic agreement with the French plan.

The CHAIRMAN [*Translation*]. — Before declaring the general discussion closed I want to draw attention to the fact that it has been very wide, very admirable and very complete, and will be a very valuable basis for our future studies. The characteristic feature of all the speeches has been the recognition of the imperative need for a spirit of European co-operation, if we are to face a situation which is painful for all of us. From M. Marinkovitch, who made some reservations (being a man of prudence though optimistic), to M. Litvinoff all speakers have shown the same anxiety to solve the difficult problems with which we are confronted.

If there is one sentiment which has dominated the whole of our discussions, it is the feeling that, whatever the economic resolutions we may adopt, our decision should be such as to constitute in this sphere a pact of non-aggression similar to those which have been concluded in the political sphere. Let us devote our efforts to the preservation of peace. If we can preserve peace, we shall have rendered a signal service both to mankind and to Europe.

26. **Appointment of a Sub-Committee to suggest the Procedure to be adopted for the Preparation of Definite Practical Proposals.**

*The Commission of Enquiry adopted the resolution proposed by the British delegation in the following terms :*

“ The Commission of Enquiry decides to establish a sub-committee to recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes which have been submitted to it.

“ This sub-committee should meet forthwith and present its report to the Commission of Enquiry to-morrow or at least on the following day. ”

*It was decided that the Sub-Committee should be composed of representatives of the following countries : Austria, Belgium, Czechoslovakia, France, Germany, Great Britain, Greece, Hungary, Italy, Poland, Roumania, Spain, Sweden, Switzerland, Turkey, the Union of Soviet Socialist Republics and Yugoslavia.*

The proposals submitted by the German (Annexes 2 and 8), Belgian (Annex 9), Swedish (Annex 10), French (Annexes 5 and 11), Italian (Annex 3), Greek (see page 50), and Soviet (Annex 7) delegations with regard to the world economic crisis, as well as all proposals submitted to it before or during the present session, were referred to the Sub-Committee : such reference to include questions relating to the disposal of stocks of cereals (Annexes 12 and 13), and the application of the Commercial Convention of 1930.

The Sub-Committee was further requested to study the proposals contained in the memorandum from the International Labour Office (Annex 14) and that from the Secretary-General of the League relating to the economic depression (Annex 15), as well as the report by M. Colijn, President of the Second International Conference with a View to Concerted Economic Action (Annex 16).

The following questions were also referred to the Sub-Committee : the treatment of foreigners ; transport and transit of electrical energy ; Customs treatment for fuel for motor vehicles passing frontiers by land, sea, river or air.

The Sub-Committee would consider any other suggestions submitted to it, with the exception of the question of agricultural credit, which would be the subject of a discussion by the Commission of Enquiry at its next plenary meeting.

On the proposal of the CHAIRMAN, M. MOTTA *was appointed Chairman of the Sub-Committee.*

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SIXTH MEETING (PUBLIC).

*Held on Wednesday, May 20th, 1931, at 3.30 p.m.*

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*Chairman : M. Aristide BRIAND (France).*

27. **Agricultural Credit : Establishment of an International Agricultural Mortgage Credit Company.**

The CHAIRMAN [*Translation*]. — The question of agricultural credit is on to-day's agenda. You will remember that you asked a Sub-Committee of eleven members to deal with this matter. That Sub-Committee followed up the work of the Financial Committee (Annex 17), and then held a session to discuss the report (Annex 17a) to be submitted to this Commission, which it has asked its Chairman, M. François-Poncet, to present to you.

M. FRANÇOIS-PONCET (France) [*Translation*]. — The Sub-Committee on Agricultural Credit appointed by the Commission of Enquiry for European Union held two sessions : April 20th to 24th and May 13th and 14th. It had before it at its first session the provisional texts drawn up by the delegation of the Financial Committee, which had been entrusted with the preparation of a scheme for the creation of an International Agricultural Mortgage Credit Company, and at its second session the Financial Committee's report and revised texts, which it examined thoroughly. Subject to certain points of detail mentioned by it in its report of May 14th, the Sub-Committee was unanimously of opinion that the texts were well-designed to achieve the primary objects which the League of Nations and the Commission of Enquiry for European Union have in view. It has no hesitation in recommending the plan as a whole for definite and immediate approval.

The primary object of this plan is to alleviate the burdens which weigh on agricultural production in the various countries. Its realisation is therefore of equal importance to the industrial countries, for it will contribute towards raising the standard of life in the agricultural countries, thereby increasing their demand for industrial products.

The Sub-Committee says in its report that the new Company should avoid exposing itself to criticism on the ground that it has encouraged an injudicious increase of agricultural production. It asks that the Board of Directors shall give adequate information on this point, so far as it can be supplied in its annual report, which will be transmitted to the Council of the League of Nations.

The Financial Committee drew up three texts (Annex 17*b*): (1) A draft Convention for signature by the acceding Governments; (2) A draft Constituent Charter for the International Agricultural Mortgage Credit Company; (3) Draft Statutes for the new Company.

The draft Convention and Charter determine the obligations, both of the Governments in general and of the Government in whose territory the seat of the future Company will be fixed. Their main object is to give the Company the international character which is so essential if it is to work satisfactorily. They relate in particular to the two following points:

A. From its incorporation the Company must have available by means of advances from the contracting Governments, repayable out of the profits, a special fund of five million dollars. That will be a supplementary guarantee to the holders of the bonds whose product will be used for granting loans. The constitution of this special fund is the essential feature of the plan. Experience shows that the first years of a mortgage company are the most difficult. Then, too, the feeling of fellowship, the desire of the Governments to co-operate, of which the constitution of such special funds is a proof, will have the greatest influence on financial circles.

B. The International Company should be granted fiscal exemptions based on the four following principles: (1) The country in which the Company has its seat should not derive any fiscal benefit from the fact that it has been chosen as the seat; (2) Double taxation should be avoided in all countries in which the Company conducts its business; (3) The countries in which the loans are effected should impose no fiscal charges, either on the loans granted or on the service of those loans, the object being to reduce, as far as possible, the rate of interest; (4) The Government may levy on the shareholders and bondholders any taxes which are provided for by their internal legislation, subject to the reservation that this does not impose any obligation on the Company.

The Constituent Charter granted by the Government of the country in which the Company has its seat contains the first of these principles. The other principles, subject to certain reservations, are optional, either in whole or in part, for the contracting Governments.

The new Company will take the form of an ordinary limited liability company. It will issue bonds up to ten times the amount of the paid-up capital plus the amount of the special reserve constituted at the outset, as we have seen, with advances accorded by the Governments. The special reserve will be reconstituted subsequently out of the profits, on parallel lines with repayments to the Governments concerned. That is to say, from the outset the Company will have power to call in up to one hundred million dollars. The product of the issue of bonds and of a limited portion of the capital will be used for granting loans to national companies — mortgage or agricultural credit institutions — which, either directly or indirectly, make loans on first mortgages on immovable property which is the subject of agricultural cultivation, or is used for the purposes of such cultivation.

It will be seen that the main object of the plan is to help agriculturists. The guarantee that it will work well is to be found in the mortgage guarantees by which its loans will be secured and, if the need arises — this should be made clear — in the special guarantee which will be required of the borrowing Governments. Under Article 10 of the draft Convention the new institution may refuse loans to countries whose mortgage legislation is considered unsatisfactory. A list of the main provisions which sound mortgage legislation should contain is attached to the plan. If the legislation of a country is considered inadequate, or for any other reason, the Company may require the Government of the borrowing country to furnish guarantees. The Sub-Committee, after examining this provision thoroughly, came to the conclusion that it was an indispensable part of the plan.

Subject to these reservations — which are necessary in order to safeguard the bondholders — the main object of the Company will be to lower the rate of interest, as far as possible, on loans to agriculturists. The Financial Committee itself stated this fact in its report to the Council on May 11th. In these circumstances, the rate of interest on loans will vary from country to country, and a well-devised system of reserves will enable the Company to cover itself so far as that is necessary.

The Sub-Committee entirely approved the provisions for this purpose.

Special consideration was given to the composition of the Board of Directors. It was regarded as essential that the Board should be composed of financiers representing both the general interests which must be safeguarded, the countries subscribing the share-capital, and the markets on which the bonds are issued. The Financial Committee

therefore decided on the following formula, which was unanimously accepted by the Sub-Committee :

(1) The President and Vice-President shall be appointed by the Council of the League of Nations ;

(2) Two directors shall be appointed, one by the Permanent Committee of the International Institute of Agriculture, and the other, who shall be selected for his special competence in finance, by the Bank for International Settlements. If these institutions renounce their right, the appointments shall be made by the Council of the League of Nations ;

(3) Nine directors shall normally be appointed by the general meeting. The first appointment shall be made by the Organisation Committee of the new Company. The Sub-Committee expressed the hope that the choice of these nine directors should, as far as possible, reflect the probable distribution of capital ;

(4) Not more than five directors shall be appointed by the directors referred to above, with the object of promoting the general interests of the Company and, in particular, encouraging the participation of the chief financial markets in the placing of bonds.

Further, the Sub-Committee agreed with the Financial Committee that as far as possible the Board of Directors should be composed of persons having intimate knowledge of finance and of mortgage credit business. It is therefore stipulated that the directors appointed by the shareholders shall be representatives of mortgage or agricultural credit institutions, or experts in banking and credit business. At the same time, it was thought desirable that those countries parties to the Convention which have no national representative on the Board should be given the right to delegate an assessor in an advisory capacity.

The Board thus constituted will itself appoint an executive committee of five or seven of its members to assist the President in the management of the Company's business.

There is one important question on which the Financial Committee and the Sub-Committee thought it advisable not to put forward any specific recommendation, but to leave it to the Governments to decide. I refer to the question of the seat of the Company. The Financial Committee reached the conclusion that either Paris or Geneva should be chosen, as contact with the great financial markets and the countries that may wish to benefit from the loans granted by the Company would be fully assured by the choice of either of these two towns.

I have already stated that the Sub-Committee made certain additional observations with regard to the Financial Committee's drafts. These observations appear in the appendix to its report of May 14th, with all the necessary explanations (Annex 17a). They were approved by M. ter Meulen, Chairman of the Delegation of the Financial Committee, who stated that in his opinion, if it had been possible for him to consult the Financial Committee, the latter would have had no objection to the proposed changes. The Sub-Committee thought it desirable, in these circumstances, to recommend the Commission of Enquiry to adopt them at the moment when it took a decision regarding the seat of the Company. It also recommended the adoption of a resolution, the text of which is attached to its report, to the effect that the Governments which propose to reform their mortgage legislation should pay special attention to the principles set forth in the appendix to which I have already referred.

When the Commission of Enquiry has taken a decision on these various points, the Council of the League of Nations will, during the present session, be called upon to say whether it approves the plan as a whole and to declare the Convention open to signature by European States Members of the League of Nations up to August 15th, 1931, unless it is thought desirable to adopt a later date. It will also appoint the Organisation Committee, which will take the necessary preliminary steps for setting the Company to work and will appoint the members of the first Board of Directors.

The Convention will come into force as soon as the amount of the contribution to the special reserve due from the Governments which have ratified the Convention attains the sum of five million dollars. If this condition is not fulfilled before December 31st, 1931, a Conference of the Governments which have ratified the Convention will have to be called.

The capital of the Company may be offered for subscription in proportion to the amount contributed to the special reserve, as soon as the Convention has come into force and the charter been conceded. The Company may, moreover, start business as soon as the Board of Directors has recorded that the ten thousand shares having one vote per share and corresponding to five million dollars have been subscribed.

Such are the conditions in which the Sub-Committee unanimously decided to ask the Commission of Enquiry to bring to the notice of the Council of the League of Nations the importance of putting the scheme into force as a measure for alleviating the present economic crisis. It also expressed the hope that the Council would take all the necessary steps to enable the Organisation Committee to set to work as soon as possible, if possible before August 15th, the time-limit for signature of the Convention. The Commission of Enquiry will certainly agree with the Sub-Committee's recommendations on these two points. If all the Governments represented here have not yet been able to make known whether



they propose to accede to the Convention, I would remind them, in conclusion, that they have all recognised the great importance of this plan.

**TEVFIK ROUCHDY Bey (Turkey) [Translation].** — The Turkish delegation has studied very carefully the draft Statutes and Convention prepared by the Financial Committee with a view to setting up an International Agricultural Mortgage Credit Company, and wishes to put the following considerations before the Commission.

Article 14 of the draft Convention stipulates that this Convention shall be open to signature by the Government of any European Member of the League of Nations until August 15th, 1931. Article 4 states that the loans provided for by the Statutes of the International Company may only be accorded to mortgage or agricultural credit companies or institutions having their registered offices in the territory of the contracting Governments.

These provisions are confirmed by Article 4 of the draft Statutes. Although the Government of any European Member of the League of Nations which has not signed the Convention is entitled, under the terms of Article 15(a), to accede to it after the expiration of a period of five years as from August 15th, 1931, and the same right is conferred, in Article 15(b) on the Governments of non-European Members of the League of Nations we find no provision which would enable States not members of the League of Nations to participate in the organisation of agricultural mortgage credit. We wonder how far this can be reconciled with the object which the Commission has in view. It means that a country like Turkey, which is eminently agricultural but is not a member of the League of Nations, will be excluded, and this, moreover, at the moment when we are endeavouring to remedy, on an international scale, the difficulties caused by a shortage of agricultural credit, which is closely connected with the existing economic crisis. Owing to the present situation, the result of successive wars, Turkish cultivators are in need of long-term, medium-term and short-term credit. The gravity of the situation is increasing, owing to the continual fall in prices which puts Turkish agriculture in an extremely difficult position.

The financial resources of the Agricultural Bank, which is the central agricultural credit institution, and of the agricultural credit co-operative societies, which are controlled by the Bank, are far from sufficient to meet the needs of agriculturists. This state of affairs forces the Turkish agriculturist to have recourse to other institutions or to private persons, who grant him loans at rates and on conditions which are usurious. The burdens which the crop has to bear are so heavy in Turkey that sometimes the selling-price does not cover the cost of production.

The Turkish delegation is glad to note that the Commission of Enquiry for European Union attaches great importance to the part played by agricultural credit in the crisis through which all countries are now passing. It hopes that the Commission will consider the advisability and even the necessity of allowing Turkey to participate on the same footing as the other agricultural countries of Central and Eastern Europe in the creation of the International Mortgage Credit Company. This hope is all the more justified, since the guarantees rightly required by the International Credit Company for the loans to be granted by it are already provided for under Turkish legislation, as well as under the organic law of the Turkish Agricultural Bank. The Turkish Government is glad to have a new opportunity of co-operating in the work of European reconstruction and union, and is fully convinced that the Commission, animated by similar feelings of international friendship, will recognise that its request is well founded, and will decide to make the necessary modifications in the draft Convention which is now before us.

I therefore beg to propose the following draft resolution :

“In view of the considerations put forward by the Turkish delegation, the Commission decides to make the two amendments suggested by that delegation in the Statutes of the International Agricultural Mortgage Credit Company.”

**M. LITVINOFF (Union of Soviet Socialist Republics).** — I regret that I feel bound to say that the proposal for the organisation of international credits submitted for the approval of this Commission does not, in my opinion, promise to bring in its train those benefits to agriculture which might have been expected from the proper organisation of agrarian credit. Credit against mortgage would mean that only big landowners and more or less prosperous peasants and farmers, owning valuable buildings as security, would benefit by them. The numerous petty peasantry and small farmers, not possessing such property, or long ago having mortgaged it, will receive no credits from the bank.

In discussing this problem we must in the first place ask ourselves what the connection is between the world crisis (and especially the agrarian crisis), which is the object of study in this Commission, and agrarian credits. The agrarian crisis, as many speakers here have noted, has been largely brought about by the sharp fall in the prices of agricultural products. This fall in prices is in its turn the consequence of the simultaneous inundation of the market with vast masses of agricultural products, irrespective of the existing demand and market conditions. What but the need for money and the impossibility of obtaining credit on non-usurious terms is forcing the agriculturist to behave in so unpractical a manner? Even



after the organisation of an agrarian bank on the proposed lines, however, he will be unable to get such credits, unless he has property that can be mortgaged and that is not already mortgaged. Finally, even if he manages to get a certain sum from the agrarian bank on mortgage, he will be unable, should his need for money be the same, or even greater, in the following year to get any more credits.

Evidently something different is required — namely, the granting of credits, not on mortgage, but on the security of agricultural produce ready for export. Only if such credit can be organised will the agriculturist be able to keep his goods for the most favourable opportunity, to refrain from immediately putting them on the market, and to spread them over the whole year, avoiding periods of depression. Such a system of selling would undoubtedly be of the greatest importance for the regulation of prices and the mitigation of the agrarian crisis. This end will not be attained, if the International Bank limits its operations to mortgage credits only.

Further, by easing the situation of the peasant masses and aiding them to obtain suitable prices for their products, we should be increasing their purchasing power in regard to manufactured goods, thus exercising a mitigating influence on the industrial crisis also. Such results cannot be expected if the bank issues credit on mortgage only, and consequently to a mere handful of landowners and prosperous farmers.

These are the considerations which lead me to believe that the organisation of an agrarian bank on the terms laid down in the draft do not meet the requirements arising out of the European crisis.

I might raise objections to the organisation proposed for the bank, and support the remarks made by the Turkish representative, if I did not consider this unnecessary at the moment, while the substance of the bank's functions remain as laid down in the draft. No importance can be attached to the organisation of the bank as it stands in the present draft, so far as mitigating the present crisis is concerned, for the projected bank would not contribute to any appreciable improvement in the position of the broad masses of the peasantry, neither raising their purchasing power nor affording adequate stimulus to the absorption of stocks.

I should like to add that the question of agrarian credits has a direct bearing upon the work of the Wheat Exporters' Conference now being held in London. Indeed, I cannot see how that Conference is to yield fruitful results unless some machinery is created for the financing of wheat exports with a view to regulating the supply of the market and avoiding accumulations of wheat on the markets, with a resulting drop in prices.

This financing can only be done in the way I have indicated. It would seem inexpedient for the London Conference to create a parallel agrarian credit institution, but it may be forced to do so should the Commission of Enquiry approve of the project under discussion, or its work will have been in vain.

If my proposal for the alteration of credit operations is accepted, I will permit myself to return to questions of organisation.

M. ZALESKI (Poland) [*Translation*]. — I desire to make the following declaration on behalf of my Government. Poland is prepared to sign the Convention for the establishment of an International Agricultural Mortgage Credit Company, and will subscribe to the special reserve the sum fixed as its quota.

I should also like to pay a tribute to the productive work done by the Financial Committee and its special delegation, and also to the effective participation of the Sub-Committee of our own Commission in the preparation of so vast a plan.

M. TITULESCO (Roumania) [*Translation*]. — As it was I who asked in January that the possibility of establishing an international agricultural credit institute should be considered, I must congratulate the Sub-Committee and the technical organisations of the League of Nations on the rapidity with which they have placed before us such important concrete results. Roumania is prepared to sign the Convention at once. It is understood that the Convention will be subject to ratification in the ordinary way under constitutional law.

M. DE MICHELIS (Italy) [*Translation*]. — The Turkish representative has made a request which I desire to support on behalf of my Government. The reasons he has given leave no doubt as to the advisability of examining his request. I am fully aware of the difficulties which it raises at the moment, seeing that the draft Convention, a Constituent Charter and the Statutes which have already been drawn up make it impossible for us to comply immediately with the request, unless we amend the articles concerned. Although we are unable, however, for constitutional reasons to grant the request at once, we can at least hope that in the near future, with the development of the banking organisation, it may be possible to consider it. In any case, we can say that it is based on substantial grounds to which justice should be done. The request is addressed not so much to the League of Nations as to the Commission of Enquiry for European Union, since this Commission has adopted as the basis of its activity the re-establishment, as far as possible, of European economic equilibrium. This expression covers economic unity, which may

also include States not strictly European. I therefore consider that the Turkish delegation's draft resolution might be adopted, at least in principle.

The fact that the credit organisation is to be established under the auspices of the League of Nations is not a decisive argument for refusing the request: the farther we try to extend the moral influence of the League of Nations, the more our work will develop.

The Turkish Government has appealed to our feeling of fellowship. I think our response should be favourable. It is mainly a matter of finding methods sufficiently elastic to enable us to admit States which are not members of the League of Nations but nevertheless desire to benefit from the credit organisation we are about to establish.

M. CHOUMENKOVITCH (Yugoslavia) [*Translation*]. — The Yugoslav Government thanks the Commission of Enquiry for European Union and the League of Nations for the work they have already done, which represents part of the endeavour to remedy the agricultural crisis from which the European countries are suffering.

The Yugoslav Government supports the draft Convention establishing the International Agricultural Mortgage Credit Company, and declares that it is prepared to sign it.

M. MICHALAKOPOULOS (Greece) [*Translation*]. — I declare on behalf of my Government that it accepts the draft Convention unreservedly. It is prepared to contribute to the special reserve for which the provisions of this Convention provide.

We are also grateful to the organisations of the League of Nations, and particularly to the Financial Committee and its special delegation for the proposals they have submitted to the Commission which in my opinion mark the beginning of a new era in the history of world economy.

I also venture to support the Turkish proposal, with which the Italian delegation has associated itself, with regard to Turkey's participation in this economic institution. Since we have decided to invite States which are not members of the League of Nations to co-operate in re-establishing equilibrium in Europe, I consider it would be unfair to exclude such of them as wish to participate in this new institution.

With regard to M. Litvinoff's remarks, may I reply in a few words suggested by one who started his career by working in the interests of a national economic system and agricultural credits. M. Litvinoff expressed some doubt as to the effectiveness of the institution we are about to create. He stated that it would not grant loans to small landowners: I think, on the contrary, that it is precisely they who will benefit from the organisation, for everyone knows that usurers do not make loans to small owners; they have nothing to gain from these small properties. It is no use putting them up for auction; on the other hand, what would be the use of keeping them? Usurers are not agriculturists, but profiteers.

Consequently, it is precisely the small owners who will benefit from the institution; if they are in debt, our institution will be able to take the place of their creditors and grant loans on much more favourable conditions.

I hope we shall sign the Convention and that the Company will be able to begin its work without delay. I am sure it will be of special benefit to the weak.

M. MORFOFF (Bulgaria) [*Translation*]. — I also have full power to sign the Convention as soon as it is open to signature.

On behalf of the Bulgarian Government, I thank all who have taken part in preparing the plan before us. I also wish to state that like Greece we have no objection to the Turkish proposal.

M. BENEŠ (Czechoslovakia) [*Translation*]. — I had the honour yesterday to declare that the Czechoslovak Government had decided to participate in any action, such as the establishment of the International Agricultural Mortgage Credit Company, which would contribute to the improvement of economic conditions, particularly in the agricultural countries of Central and Eastern Europe. My Government intends to co-operate actively in the establishment of this Company, which, it feels, will be helpful in bringing prompt and effective aid to agriculture, particularly in the States which are suffering from a scarcity of capital.

I am prepared to sign the Convention.

M. DE NICKL (Hungary) [*Translation*]. — The Hungarian Government is prepared to sign the Convention for the establishment of an International Agricultural Mortgage Credit Company.

At the same time, on behalf of my Government, I recommend the Turkish proposal to your kind attention, and support the observations of the Italian delegate.

M. SCHMIDT (Estonia) [*Translation*]. — My Government is in principle prepared to sign the Convention.

I would add that the Estonian Government believes that the new institution will be useful if, in fixing the rate of interest, it succeeds in bearing in mind the special conditions connected with the profit-earning capacity of agricultural undertakings.

I should also like to congratulate the Financial Committee and its delegation on their remarkable work.

The CHAIRMAN [*Translation*]. — As French delegate, I declare that my Government accepts the Convention, which it is prepared to sign.

The Sub-Committee suggested that two towns should be considered as the possible seat of the new Company: Paris and Geneva. My Government abandons in favour of Geneva the suggestion that it should be at Paris. Naturally, the Federal Government will have to be consulted as to the necessary fiscal arrangements. In order to facilitate negotiations and to expedite matters, perhaps two delegates of this Commission might be asked to get into touch immediately with the representatives of the Federal Government, in order that the negotiations may be brought rapidly to a satisfactory conclusion.

Like previous speakers, I am not indifferent to the hopes expressed by the Turkish representative. I am sure that, when the members of the Sub-Committee studied the plan which is before us, they anticipated Turkey's desire. Our Turkish colleague will, however, realise that there are constitutional difficulties. Are those difficulties insurmountable? I think not, and I hope it will be possible to overcome them. In any case, we take note of our colleague's recommendation, and I am sure that steps will immediately be taken to see what can be done to give satisfaction to Turkey. We should be delighted if Turkish agriculturists could benefit, with all other European agriculturists, from the new Company, and I am convinced that a way will be found. I know of one way out of the difficulty for Turkey — I am sure it is in the minds and is the desire of all the Members of the League of Nations. If I could make a recommendation, in the hope that our Turkish colleague would receive it favourably, I would do so, but with his usual perspicacity he will realise what I have in mind.

I should like to say a few words in reply to M. Litvinoff. He said that the system by means of which we are proposing to help the agriculturists will not be as effective as he hoped, that it provides for mortgage loans to property owners and that consequently its value will be limited. I would call attention to the circumstances in which these questions have been discussed by this Commission, and it is only fair to say, in the first place, that these problems have been before the Commission for barely three months.

The first problem was urgent, owing to the suffering which it was causing. We were told that in certain countries the agriculturists have in their granaries crops of which they are unable to dispose. At the same time, they must eat, they must work and they must find money. They are compelled to look everywhere for funds. They do not always meet with a generous response, but find everywhere persons who are ready to speculate on their misery. They are compelled to obtain loans at 15, 20, 25 and even 30 per cent interest. We were urged to come to their aid. What did we do? We decided upon three lines of action. We decided that the most pressing need was to clear out the granaries by absorbing the stocks. We started work immediately, and one important step has already been taken. This was the first problem in connection with which we were able to give help. The second consisted in finding the means for financing agriculture. I believe a plan is at present under consideration. I am sure that some means of doing this will be found, and that all, whether owners or not will benefit.

Finally, there was the question of agricultural mortgage credit, which had been under consideration for some time. We were asked to bring this work to a satisfactory conclusion. With the help of the League of Nations and its technical advisers we set to work. In a very short time, since we have been dealing with this question for only two months, we succeeded in drawing up the draft Convention which M. François-Poncet has submitted to you. Obviously, it is always possible to do better, but in international circles, as in human affairs, we must find, between the absolute desire and the possibility of realising it the practical means of achievement. Above all we must avoid pessimism in the face of such problems. I believe our work will be of some use. When the Company we are so prudently establishing has begun work, I am quite sure that it will not act like a usurer, but that, when agriculturists appeal to it, it will find a means, thanks to a supply of capital obtained under the best conditions, of alleviating their sufferings.

I therefore believe that through our Commission we shall make great progress. I am convinced that you all consider it advisable to support the proposal, first to adopt, then to sign and later to ratify the Convention. As far as France is concerned, that may be considered as already done.

M. MOTTA (Switzerland) [*Translation*]. — I am delighted with the action we are about to take. If I am not mistaken, the establishment of an International Agriculture Mortgage Credit Company is the first child of the Commission of Enquiry for European Union. Our Commission has already undertaken other tasks which are in course of evolution. The establishment of the International Company has taken a more concrete, and I hope a more final, form than the other questions. I think that, if during the first months of our life we have been able to carry out even this work, only we can say modestly but truthfully that our existence is fully justified.

My Government is not yet able, for administrative reasons, to give me the necessary power to sign the instruments in question, but I shall expedite matters, and hope to be able, before leaving Geneva, to sign them on behalf of the Confederation. I am sure that in saying this I am interpreting correctly the view of the Swiss Federal Council.

My chief reason for speaking, however, is to perform a duty and to give certain explanations.

I want above all to thank the Chairman of the Commission who is not only our Chairman but the delegate of France, for his statement that, two towns having been suggested as the seat of the new Company, France abandons its claim for Paris to be selected and supports the choice of Geneva.

The Federal Government gave its delegates the following instructions. Do not ask that the seat shall be at Geneva. If, however, the competent authorities consider that it should be in Switzerland, accept the proposal with all the consequences involved.

I therefore declare that the Confederation agrees that the seat of the new company shall be at Geneva. The Federal Government — and I am sure the Swiss people — very much appreciate this new proof of confidence in Geneva, on the one hand, as the seat of the League of Nations, and in the Swiss Confederation, on the other. We are proud of it, and we hope that the new Company will be content with us, and will be able to achieve its aims.

M. Briand was good enough to anticipate my desire, and I thank him for this act of friendship, which did not surprise me. He said that the Confederation would be called upon to confer a charter on the Company, and that, the question of the seat having only just been settled and the Swiss Confederation having been unable, under these circumstances, to discuss thoroughly certain consequences involved, it is right and legitimate that a small committee of two, three or four at the most, should be asked to get into touch, on your behalf, with the Swiss delegation in order to arrange certain points of detail and to consider the necessary technical adjustments between the charter and the Swiss legislation.

I wish to remove all hesitation from your minds. In principle, the Swiss Government accepts all the provisions of the charter. We shall simply have to adapt and adjust it on certain technical points. Your Sub-Committee will only have to come before us to report to us and to obtain our approval of its proposals. It should have full powers. For my part, I am authorised to confer on the Swiss delegates full powers to deal with this question of detail to the general satisfaction.

I would add one word with regard to the suggestion of the Turkish representative. He is well aware of the sympathy of my country for Turkey. I associate myself with all that M. Briand said, and particularly with that part of his thoughts of which the meaning is obvious, though he did not express it in words.

Mr. HENDERSON (Great Britain). — As the representative of my Government I am pleased to note the successful and rapid conclusion of the efforts made to draw up this scheme for an International Agricultural Mortgage Credit Company. I heartily congratulate all those concerned, both the Financial Committee and its delegation, for the very sound technical framework they have constructed, and the Agricultural Sub-Committee of this Commission for the guidance it has given in the form of the scheme.

I agree with M. Motta that this is an example of successful co-operation through the League and of the efficiency and speed with which the League can do its work. I look forward to the success of this scheme as part of the reconstruction work which the Commission of Enquiry for European Union is earnestly endeavouring to carry out.

I must point out, however, that the scheme gives rise to certain particular difficulties from the British point of view. I need not describe them, but will confine myself to assuring Commission that, on my return to London, I will lay the whole matter before my Government with a view to clearing up these difficulties as soon as possible.

M. FELDMANS (Latvia) [*Translation*]. — I am authorised to declare that the Latvian Government accepts the proposed plan. Consequently I am prepared to sign the Convention during the present session, provided it is approved by the Council of the League of Nations.

My Government is sure that the International Company will do everything in its power to place credit at the disposal of agriculturists at rates of interest which they can support without having to decrease their capital.

M. HYMANS (Belgium) [*Translation*]. — I am prepared to sign the Convention, although Belgium is not directly interested in the question, in order to mark our desire to co-operate in a piece of work which I sincerely hope will develop effectively. I reserve my right to refrain from depositing Belgium's ratification until the Convention has obtained the general support of the States whose participation I consider necessary.

I would add one small observation, or make one recommendation. According to the Convention, the latter will remain open to signature by the States until August 15th, 1931. M. François-Poncet told us that this time-limit was not definitely fixed. I am interpreting the desire of several States in proposing that the Convention shall remain open for signature until September 30th.

M. CURTIUS (Germany) [*Translation*]. — I am prepared in principle to sign the Convention in the hope that the proposed Credit Company may relieve the distress in European agriculture. I desire, however, to add that we are only prepared to participate on condition that the Pan-European character of the Company is apparent. I wish to say that the countries which are the great financial markets of Europe, or if not all at any rate the great majority, must also express their willingness to sign.

We have just heard that the representative of the British Government is not yet in a position to declare that his Government will accede to the Convention. I do not desire formally to make Germany's signature subject to signature by the British Government. On the other hand, Germany's ratification will be subject not only to the signatures of France, Italy and Belgium, which we have been assured will be given, but also to signature by the Netherlands, Sweden and Switzerland.

M. DE MICHELIS (Italy) [*Translation*]. — Italy's co-operation in the work of constituting this International Company, as well as M. Grandi's statements, will have left no doubt as to Italy's decision to sign this Convention. Italy would have even more reasons for signing if other Governments would act in the same way.

M. BEELAERTS VAN BLOKLAND (Netherlands) [*Translation*]. — The Netherlands Government has certain reservations to make in respect of the plan before us, but hopes that, taken as a whole, the measures contemplated will enable us to achieve the aims which the Council and our Commission have in view.

In these circumstances, and in a spirit of co-operation and fellowship Her Majesty's Government intends to sign the Convention on agricultural credit as soon as a more general measure of support by the European States is ensured.

M. BECH (Luxemburg) [*Translation*]. — The Luxemburg Government will sign the Convention.

M. RAMEL (Sweden) [*Translation*]. — Although the establishment of the International Agricultural Credit Company does not interest Sweden directly, my Government is prepared to examine the question of Sweden's approval of the Convention without delay, in a spirit of co-operation and conscious of its duties in the interests of European unity.

Nevertheless, I desire to point out that Sweden's final approval cannot in any case be given before the beginning of next year, as Parliament, whose assent is necessary, will shortly adjourn and will not meet again until January 1932.

M. FRANÇOIS-PONCET read the draft report to be transmitted to the Council of the League of Nations (Annex 18).

*This draft was adopted on the understanding that the second section would read as follows :*

“ The Commission discussed the question of the seat of the proposed Company. It has unanimously come to the conclusion that the seat should be at Geneva. The representative of Switzerland has declared in the Commission that the Government of the Swiss Confederation is in principle prepared to grant to the Company the constituent charter which forms an annex to the draft Convention. The Commission has taken note of this declaration.”

*and that the second paragraph of Section 3 would be completed by the words :*

“ The Convention should remain open for signature until September 30th, 1931.”

The CHAIRMAN [*Translation*]. — At the beginning of the meeting I said that, in view of the designation of Geneva as the seat of the new Company, it would be necessary to appoint a small Sub-Committee to make certain adjustments in the plan we have adopted. This chiefly relates to questions of procedure and fiscal questions. In these circumstances, I suggest that full powers should be conferred on the Sub-Committee and that it should be composed of representatives of the following countries: France, Switzerland and Great Britain. The Chairman of the Financial Committee might be invited to participate in the Sub-Committee's discussions.

*This proposal was adopted.*

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SEVENTH MEETING (PUBLIC).

*Held on Thursday, May 21st, 1931, at 4 p.m.*

*Chairman : M. Aristide BRIAND (France).*

28. Signature of the Convention instituting the International Agricultural Mortgage Credit Company.

The CHAIRMAN [*Translation*]. — The Convention instituting the International Agricultural Mortgage Credit Company is now open for signature by any members who may have signified their intention of adhering to it on behalf of their countries.

29. Examination of the Report of the Sub-Committee appointed to make Definite Practical Proposals for the Future Work of the Commission on Economic Questions (Annex 19).

The CHAIRMAN [*Translation*]. — The Sub-Committee under the Chairmanship of M. Motta, to which we referred various questions on our agenda has, I think, finished its work.

M. MOTTA (Switzerland) [*Translation*]. — I should like to add to my report that the Governments mentioned in Point 10 are to be invited to take part in the study of the regime of international exchanges of electric power because they are not represented on the Communications and Transit Organisation.

You will, I am sure, have noticed heading No. 1, which I consider fundamental and which deals with the Economic Co-ordination Sub-Committee. This is a specially important new body, which is quite indispensable. You will have observed that we propose that the plenary Commission should set up committees to study various questions. The importance of these committees will vary according to the subjects they have to consider and the interests involved. Speaking generally, the members will be highly qualified experts appointed by the Governments and working in conjunction with the League's advisory technical organisations. It must be plain to all that our Commission of Enquiry for European Union would be inconceivable without the League of Nations and the technical organisations which it has succeeded in setting up in the short period since its foundation.

There is yet another reason which proves the fundamental relation existing between the League and the Commission of Enquiry for European Union. If the reports of committees were submitted solely to our plenary Commission, the latter, under its present constitution, would have some difficulty in carrying out the practical work which alone makes positive and concrete results possible. We had therefore to consider setting up between the plenary Commission and the special committees an intermediate, co-ordinating body which would act, if I may say so, as a filter.

All results reached by the committees will accordingly be referred to the Economic Co-ordination Sub-Committee, on which all countries, without exception, will be represented. We were anxious that every country which is a member of the Commission should have a direct opportunity of taking part in the work of the Co-ordination Sub-Committee. The Sub-Committee will resemble our Commission very closely, but will differ from it in that the Government representatives will be mainly technical experts and possibly, if considered necessary, politicians or departmental chiefs — that is to say, men in touch with the national administrations. The new Sub-Committee's main task after it has co-ordinated and filtered the work of the committees, will be to present it to the plenary Commission consisting, in the case of most States, as you are aware, of the heads of the Ministries or Departments for Foreign Affairs. In our Commission the political aspect seems to be predominant, while in the Co-ordination Sub-Committee the members will represent political and economic circles; hence it may be that the economic aspect will be preponderant in the Co-ordination Sub-Committee, while the political aspect will play a more important part in the plenary Commission.

That, I think, is one of the fundamental passages in the resolution before you. We discussed this question at some length and came to an agreement after three meetings lasting about nine hours in all. Every delegation has shown a spirit of understanding and co-operation. I do not claim that there is anything very harmonious in the style of the report submitted to you. It looks more like a rough outline, in which the various parts are not all in proportion. I am sure, however, that our proposals represent something that merits your attention. We must be modest. We must not expect impossibilities of any human institution, but the document I have read does give expression to a great effort made by all parties to show goodwill, and that, I think, is the best guarantee for the success of our future work.

The CHAIRMAN [*Translation*]. — I am sure you will all wish me to thank the members of the Sub-Committee and their Chairman for the work they have done in so short a time. The task we imposed upon them may with truth be described as extremely heavy. When



I told them that you hoped they would submit, at to-day's meeting, a report on all the subjects on the agenda I felt, I will not conceal it, some scepticism as to the outcome of my request. I owe it to our Sub-Committee to say that its zeal and assiduity have proved me wrong. M. Motta's words have enabled you to see that there was a sufficient measure of goodwill to make it possible for the Sub-Committee to complete its very arduous work.

Before opening the discussion, may I make a suggestion which has been put to me by several of my colleagues with the object of amplifying somewhat the first part of the report — what I may call the introduction or preface.

The report says: "The Commission of Enquiry for European Union decides to appoint, etc." This would read:

"The Commission of Enquiry for European Union,

"Being desirous of studying all methods likely to remedy the crisis which is now weighing upon European countries and of which the prolongation would cause an evergrowing distress and misery;

"Being convinced that the solution of this problem must be sought in ever more intimate economic cooperation between the States of Europe and the whole world.

"Decides to set up, etc. . . ."

M. MOTTA (Switzerland) [*Translation*]. — I accept this suggestion.

*The proposal submitted by the Chairman was adopted.*

Mr. HENDERSON (Great Britain). — Although I have not the final English text before me, I have examined the text on which the members of the Sub-Committee worked this morning, and though the various resolutions are not in the same order of numbering as in the final draft, I have seen sufficient to enable me to say what I have to say to allow the work to proceed without further delay.

When I moved my resolution yesterday, I was chiefly concerned — as I said in my remarks — with what this Commission was going to do with the thirteen different proposals that had been submitted, and in my resolution it was very clearly indicated that what we wanted was some method of procedure that would work expeditiously and, I hoped, effectively and that before very long we should have some recommendations brought before us. I had more especially in mind the very important scheme submitted by the French representative, and my own idea was that all these proposals would be classified, and that a report would be submitted to us stating briefly to what form of sub-committee these proposals, after classification, would be sent.

I have hurriedly looked through the draft upon which the Sub-Committee has been working, and I cannot trace the French representative's scheme in the form in which he submitted it. I see one of his proposals here and another there, but if his was a co-ordinated scheme, it ought, in my judgment, to have been sent to a sub-committee both of politicians and experts for the closest examination. Whilst we do not encourage delay, there is just a danger at a certain point of working too speedily, and I think this is one of those cases. As the Chairman has said, the Sub-Committee over which M. Motta has so ably presided has not suffered from unemployment, but I am not sure whether, by its method of treatment, it has not given itself a little more work than I — as the mover of the resolution — intended that it should have in the few hours between the time the resolution was adopted and the moment when it should present its report.

The Chairman has asked if anyone desired to speak on the report. If the report has been presented as a whole, I take very strong exception to it. In the report there is a very definite reference to a principle which the British representatives have opposed in the past and continue to oppose at this meeting. We have here the question of preference, which was discussed by one of the Committees of the last Assembly. The representatives, not only of Great Britain, but, I think of nearly the whole of the Dominions and India, took part in the debate and stated their opposition. Now we find that within a few hours, this subject is presented to us in a very long report. I do not know how many resolutions — if they are called resolutions — or separate chapters there are in this comprehensive report. That is one of my difficulties, and so I believe that the particular chapter to which I am referring was formerly number two, and I understand it has now become number seven. Well, whatever its number is, I do not care very much, but I do care about its contents, and the principle which is laid down. It is made unmistakably plain that we are asked to-day to commit ourselves to preference. I must put in, on behalf of my Government, a reservation similar to that which was made by the representatives of my Government last September.

I am, I think, in general agreement with the rest of the report — of which I have not seen a completed draft — except for the criticism that some of the subjects seem to have been lost instead of being under their proper heading. I should have preferred to see the French scheme referred to a sub-committee and a fully considered report presented to us at a later stage.

M. TITULESCO (Roumania) [*Translation*]. — May I make a very simple proposal with regard to the wording of Point 7, paragraph 2? Point 7 deals with the principle of agricultural preference and says that the Wheat Committee, which met in Paris from February 26th to 28th, should deal with this matter. The text reads: "The Committee mentioned in paragraph 2 above . . . may, if necessary, be entrusted . . ." The words "if necessary" should, I think, be deleted, otherwise it might be thought that in certain cases the Committee would not have to concern itself with the question of preference. In that case, we should have a committee whose duties did not include the consideration of the question of preference and we should have agricultural preference without any committee. The text will be clearer if these words are struck out.

M. MOTTA (Switzerland) [*Translation*]. — I have listened very carefully to what Mr. Henderson said. I am extremely sorry that the English text could not be distributed at the same time as the French. Owing to the conditions in which we have had to work in order to submit the draft resolutions to the plenary Commission this afternoon, I may say that no one can be blamed for this omission. On the contrary, I take the opportunity of thanking the Secretariat officials for their efforts to expedite, so far as was humanly possible, the work we were asked to do.

I feel, however, quite sure that, if the representative of Great Britain had the English text of the report before him, he would be entirely reassured. Every observation submitted by the British delegate on the Sub-Committee was most carefully weighed, and we have always wished to give full consideration and justice to any suggestions he might make.

I had hoped that yesterday an agreement had been reached on the agricultural problem, but this morning we found that there was a divergence of opinion between Great Britain and the other delegations. We suspended the sitting and requested the delegates of France, Italy and Great Britain to try to come to an agreement, and it was in consequence of an agreement which I thought had been reached that we drew up the final report. We refer in Point 2 to agricultural problems, but we have discarded any allusion to agricultural preference. We have simply recorded the material fact that there exists a Wheat Committee which is working and which should continue its work and be enlarged. We propose that this Committee be convened for the beginning of June at Geneva.

The delegate of Great Britain forcibly affirmed — and I fully appreciate his view, because I incline somewhat towards his ideas — his country's opposition, as a matter of doctrine, to the idea of preferential treatment in any sphere whatever. In order to prevent the Committee in question taking up in any way a position in favour of preference, we make no mention of that subject in Point 2. We were anxious, however, to take into account certain ideas that had been advanced in the Commission concerning preference, and we have drafted a special chapter which you have before you in Point 7. We have therefore separated this question so as to enable the British delegation and the other delegations which might be in the same position to make a reservation regarding it. That is what Mr. Henderson has just done. We all understand his action perfectly, and, if other delegations wish to associate themselves with his reservation, they are entitled to do so. Those delegations, however, which, from the standpoint of doctrine, incline towards the ideas voiced by Mr. Henderson, have been reassured by the fact that the idea of preference is surrounded in the report by all the necessary restrictions and safeguards. We say expressly that preference is contemplated as an exceptional and temporary measure and without affecting the rights of third parties in any way. We considered that in these circumstances each country could, while adhering to its own views from the standpoint of doctrine, accept without risk the idea of preference.

However that may be, the report before you represents an attempt at a compromise, and I am most grateful to Mr. Henderson for saying that, generally speaking, he accepts its contents.

Were I required to express on this occasion all my own personal ideas, I would confess that some of them would not be entirely in line with the contents of the report, but I consider that the Swiss delegation like all others should show a spirit of international unity.

I should have no objection to M. Titulesco's proposal if I were entitled to settle the matter myself, but I fear, and what Mr. Henderson has said shows I am right, that, if we delete the words "if necessary" in the passage dealing with agricultural preference, we shall only be bringing out more clearly the divergencies between us on the point of doctrine.

The CHAIRMAN [*Translation*]. — May I point out to M. Motta that the words "if necessary", for the omission of which M. Titulesco has asked, appear in only one part of this chapter, whereas Mr. Henderson's reservations relate to the entire chapter.

Whatever adjustments may be made in this chapter, Mr. Henderson's reservation will still relate to the whole, so that there can, I think, be no objection to omitting the words "if necessary", unless M. Motta insists on retaining them.

M. DE MICHELIS (Italy) [*Translation*]. — I regret that I cannot accept M. Titulesco's proposal. We must look at matters from the practical angle. What was the intention

of the Sub-Committee in saying that the Committee which is to meet on June 10th may be entrusted with the "task of ensuring the regular application of an exceptional regime of this nature" and adding the words "if necessary"? Point 7 (Agricultural Preference) is very closely connected with Point 2 (Agricultural Problems) and in Point 2 we say that the Committee which is to meet on June 10th is to take into account the results of the Rome and London Conferences. I stress the words "the results of the London Conference", because I hope, and I am sure M. Titulesco shares my hope, that that Conference will find it possible to say that preferential treatment would be useless. Those who, like the representative of Great Britain and myself, do not view preferential treatment with any great favour, would be prepared — I at least should be — to examine the possibility of applying such treatment subject to certain guarantees and in conformity with a certain procedure.

M. Grandi said, during the general discussion, that we adhered to the London Conference's resolution that preferential treatment should be contingent upon certain diplomatic negotiations between the country desiring it and the country asked to grant it. If we tie our hands now and say that the Committee in question must ensure the proper application of an exceptional regime, we may be detracting from the efficacy of the principle laid down at the Rome Conference to which we still adhere. It is possible, let me say again, that the Committee in question may consider it useless to examine the possibilities of applying this exceptional regime in the event of the Eastern and Central European countries obtaining satisfaction in other ways which the London Conference is now examining.

In conclusion, I will ask M. Titulesco to withdraw his proposal, so that we may accept the report before us.

M. MUNCH (Denmark) [*Translation*]. — I have to thank the Sub-Committee for its very complete and valuable work. I am forced, however, to join in the reservations made by the representative of Great Britain concerning the part of the report relative to preferential treatment. I will merely remind you of the reasons I gave here on this subject two days ago.

TEWFIK ROUCHDY Bey (Turkey) [*Translation*]. — The Turkish delegation enters a reservation regarding the contents of Point 5 (Credit).

M. BENEŠ (Czechoslovakia) [*Translation*]. — During the debates in the Commission of Enquiry for European Union, a number of speakers discussed the economic difficulties existing throughout the world and many suggestions were made to cope with them. I am glad to note that these suggestions have resulted in concrete solutions and practical proposals, and I wish to join in the thanks tendered to all those who deserve the credit for the positive results thus obtained.

I consider, in particular, that the need for ensuring better prices for grain from the Central and Eastern European countries has received all due emphasis and that the solution of the problem has thus made remarkable headway. This success affords a glimpse of the possibility of freer action in the commercial policies of the countries concerned. It will stimulate and even render possible, I feel certain, the conclusion of the bilateral agreements which those who frame the draft resolution have had in view. Again, the efforts made hitherto have led to one other positive result; we have agreed, and we reaffirm our conviction that the most-favoured-nation clause, regarded as the fundamental principle of commercial policy, must be maintained intact, so that the system of agricultural preference, if introduced, would represent an isolated exception justified by existing circumstances. It will, therefore, be the duty, in the future, of each country to consider, on the basis of its own internal situation, the most appropriate form for the solution of this question.

In so far as concerns my country, I sincerely hope that we shall soon be able to acquaint the Wheat Committee with certain positive results due to our efforts to put into practice the principles contained in the draft resolution concerning the solution of the questions which, in the field of commercial policy, are connected with agricultural products.

The Czechoslovak delegation accepts unreservedly the other points in the report.

M. RAMEL (Sweden) [*Translation*]. — I merely wish to say that Sweden, prompted by a feeling of real international fellowship, is prepared to co-operate in the solution of the problems mentioned by the Sub-Committee.

I cannot, however, accept the report without a reservation concerning preference for certain agricultural products. As many delegations consider that preference introduced exceptionally and temporarily and subject to the rights of third States might remedy the difficulties hampering the disposal of certain agricultural products, Sweden will not object to the question being studied with the object of enabling the countries concerned to come to a decision on the measures proposed.

We could not, however, adopt a formula sanctioning the principle of preference in a general way.

M. LITVINOFF (Union of Soviet Socialist Republics). — I gave notice in the Sub-Committee that I should make a reservation in regard to the question of preferential tariffs. The first version of the French proposals was discussed in the Sub-Committee; since then a new version has been issued, but it remains the same as regards preferential tariffs.

In my declaration on Monday I explained the reasons for which we are opposed to preferential tariffs; we are afraid that the granting of certain privileges to one group of countries may have political undercurrents and may result, not in the unification, but in the division of Europe, more especially in view of the very vague definition of "Central and Eastern European Grain Exporters". We know that geography has ceased to belong to the exact sciences, and in the case of a controversy I am not sure that we should find ourselves in agreement as to what was east and what west.

In any case, I am afraid that the granting of privileges to one group of countries would mean depriving other groups of privileges and putting them into an inferior position, and it is for that reason that I must make a reservation regarding Point 7, which deals with preferential tariffs. I would add that any decision taken regarding preferential tariffs may have an unfavourable influence on the work of the London Conference which has met, as far as I understand it, on the assumption that, if the grain exporters come to an agreement, no preferential tariffs shall be granted to any country.

I would further make a general reservation as regards the whole report. I am not opposed in substance to any particular paragraph of the report as it stands, but I might take exception to the wording of some of them, and as I do not wish to delay the Commission's work by proposing alterations and amendments, I prefer to make a general reservation.

I accept the proposal as far as it does not contradict the general principles laid down in the declaration I made on Monday last with special reference to the position of my country as not belonging to the League of Nations.

M. BRAADLAND (Norway) [*Translation*]. — I support in principle the reservation made by other delegates concerning preference for certain agricultural products.

M. VAN LANGENHOVE (Belgium) [*Translation*]. — Belgium accepts the report unreservedly. We consider that the plan that has been drawn up will soon conduce to practical results.

With regard to agricultural preference we adhere to the conditions enunciated in the Stucki report annexed to the Final Act of the Second International Conference with a View to Concerted Economic Action.

M. BEELAERTS VAN BLOKLAND (Netherlands) [*Translation*]. — I have no special reservations to make at the present moment regarding the report. I will merely refer to the observations I submitted at our meeting on Monday last.

M. MOTTA (Switzerland) [*Translation*]. — The discussion that has just taken place has convinced me that we must retain the words "if necessary". I can justify the need for doing so in a few words and I trust that M. Titulesco will accept them.

In Point 2, "Agricultural Problems", we say that the Commission notes the recommendation passed by the "Committee to Study the Problem of the Export of Future Harvests of Cereals", which met in Paris from February 26th to 28th last, and that it again convenes that Committee with a view to considering the proposals made by various delegations. The first paragraph in Point 2 concludes with the words "with due reference to the results of the Rome and London Conferences".

If now, in Point 7, which deals with agricultural preference, we omit the words "if necessary", we shall be giving the Wheat Committee categorical instructions to make preference effective. If we retain the words "if necessary", we shall not be preventing it from doing so, supposing after consideration it comes to the conclusion that this would be desirable

That being so, everyone, I am sure, will be able to accept the present text.

M. TITULESCO (Roumania) [*Translation*]. — I accept the very valuable assurances given by M. Motta.

I should be lacking in frankness if I did not add a second reason for my change of opinion. I have just remembered a book I have written of about 400 pages on contingent rights, and I have come to the conclusion that contingency must be a state of reality, since otherwise I should not have wasted so much time in writing so bulky a volume. In view of this second argument, which reinforces that introduced by M. Motta, I will accept the text as presented

I can, therefore, accept the report as a whole but wish to say that I entirely concur in M. Beneš' declaration

The CHAIRMAN [*Translation*]. — The fate of the phrase "if necessary" has now been settled to the general satisfaction

M. Albert THOMAS, Director of the International Labour Office [*Translation*]. — My only object in speaking is to suggest the necessary arrangements to complete the organisation of our work on credits.

May I thank the Sub-Committee — I think I may perhaps anticipate a little and thank the whole Commission of Enquiry — for the reception it has given to the very humble recommendations made by the International Labour Organisation

I merely wish to ask that the following States be appointed by the Commission of Enquiry as members of the Special Sub-Committee on Unemployment: Austria, Czechoslovakia, Denmark, Great Britain, Union of Soviet Socialist Republics, Yugoslavia. We reserve our right, however, to ensure through our Governing Body the necessary proportion between the countries of emigration and the countries of immigration in the continent of Europe

I urge that the Committee should meet on July 1st, which, we think, would be the most suitable date

M. MOTTA (Switzerland) [*Translation*]. — I accept M. Albert Thomas' proposal.

M. LITVINOFF (Union of Soviet Socialist Republics). — I wish to thank M. Albert Thomas for kindly proposing to include a representative of my Government in the Commission dealing with unemployment. Since, as I stated the other day, we have no unemployment in our country, we could hardly find the necessary experts to deal with such questions. I would therefore propose that, instead of a representative of my country, one of a country more interested in this question should be included.

The CHAIRMAN [*Translation*]. — May I answer immediately M. Litvinoff's remarks concerning the representation of his Government on the Unemployment Committee? He had just announced that his country had the good fortune to have no unemployed, and that he would be unable to find in Russia an expert on the subject to serve on the Unemployment Committee. I will accordingly ask you to leave it to your Chairman to substitute another country for Russia on the Unemployment Committee, after consulting the Secretary-General and the Director of the International Labour Office.

*The Chairman's proposal was adopted.*

The CHAIRMAN [*Translation*]. — As regards the adoption of the report, the Commission might perhaps take a decision on each chapter, so that those members who desire it will have an opportunity of making reservations or indicating their objections. We may also take it that members have expressed their opinion very clearly during the debates and that the reservations made in regard to one chapter or another have been recorded in the Minutes and are consequently valid. That being so, the report might be adopted as a whole.

Point 7 is, of course, the chapter to which the largest number of reservations, either explicit or qualified, have been made. What has been said in this connection will be borne in mind and the fact that the chapter is adopted will not, of course, be set up against those who have made reservations on certain points. Unless you dissent, I shall put the report as a whole to the vote, subject to the conditions I have outlined.

*The report of the Sub-Committee was adopted.*

### 30. Draft Protocol of a Pact of Economic Non-Aggression proposed by the Government of the Union of Soviet Socialist Republics.

M. LITVINOFF (Union of Soviet Socialist Republics). — It seems to me that the statement I made here on Monday last is sufficient explanation of the necessity for the Protocol before you (Annex 7). You are not likely to ask that I should recapitulate that statement, or go into further details. I do not think it would tend to create a suitable atmosphere for the discussion of an instrument such as the proposed Protocol for me to cite examples of the way in which various countries have so far acted contrary to the spirit of this Protocol

I propose in this Protocol the adoption of certain general principles which should dominate the economic relations between countries, principles which are essential for that economic collaboration of European countries which is the avowed aim of this Commission.

What would be the obligations undertaken by the Governments in signing this Protocol? Briefly summarised, they amount to the abstention from hostile measures in the economic sphere against any country or group of countries from political or other motives — in other words, to declare economic war illegal. It is this that entitles me to compare this Protocol to pacts of political non-aggression,

To avoid misunderstanding, I should like to say at once the adoption of this Protocol would in no way deprive any country of the right to conclude commercial treaties or other economic arrangements based on mutual concessions and privileges. Our object is the



prevention of discrimination between countries — that is to say, the singling out of one or more countries as the object of hostile legislative or administrative measures, which are not applied to other countries.

The Protocol has a special bearing upon the relationship between the Soviet Union and the rest of European countries. It would be fresh confirmation of the principle adopted by the 1927 Conference, as to the peaceful co-existence, at the given historical stage, of two economic systems. This confirmation is the more necessary in that many countries have so far acted directly contrary to this principle. Accusations of economic discrimination between countries for political motives have been made against the Soviet Government, and no clearer refutation of these accusations could be given than the proposed Protocol. The economic policy of every country must, of course, be based upon mutuality, and this mutuality would be secured for all by the signing of the Protocol.

The Sub-Committee did not find it necessary to recommend any special procedure for dealing with this question, and decided to leave it to the Commission of Enquiry to form its own judgment as to the substance of the Protocol. Some delegates have expressed doubts whether the members of the Commission of Enquiry will feel authorised to sign the Protocol immediately. The argument was advanced that the Protocol came as a surprise, and was not known to the various Governments before the present session of this Commission. As to this, I would say that many other resolutions introduced at this session (including the proposals of the French delegation), had not been circulated or made public beforehand, while the principles involved in the Protocol are not nearly so controversial and complicated.

I would venture to say that spontaneity is most essential in all matters regarding non-aggression and general peace. If a man has to take his time before answering a question as to his peaceful or hostile intentions, that answer loses much of its weight, even if it affirms his goodwill. There are assembled here the Foreign Ministers of nearly all European countries, who know the policy of their Governments, who know whether or not the principles involved in the Protocol fit in with this policy, and there seems to me no adequate reason why the question should not be settled on the spot. Our Chairman said the other day that a great thing would be achieved by the signing of an economic pact of non-aggression. For my part, knowing as I do the peaceful policy of my Government, I am ready to sign it immediately. Would it be too much to ask the representatives of other Governments to define their attitude?

**TEWFIK ROUCHDY Bey (Turkey).** — [*Translation*]: We, as usual, welcome very warmly and sympathetically the idea of non-aggression in the economic as in the political field. On behalf of Turkey, my delegation accordingly accepts the Soviet proposal for a pact of economic non-aggression.

**Mr. HENDERSON (Great Britain).** — I shall not discuss the merits of the proposed Protocol, but would merely say that I think we cannot leave the question where it is at the moment.

In the resolution I proposed the day before yesterday, I suggested that the Sub-Committee should recommend the procedure to be adopted for the preparation of definite practical proposals in the light of the various schemes submitted to it. One of those schemes was the proposal now being discussed and introduced by M. Litvinoff. I find that the Sub-Committee in its report (document C.E.U.E.42) expressed the opinion that it was not competent to discuss the important questions of substance arising out of the draft Protocol. Well, that is one part of this report with which I am in entire agreement. The Sub-Committee was not entitled, and it was not asked, to discuss the substance of the Protocol. As I have shown in the resolution proposed, it was asked to give us some suggestions regarding the procedure that might be adopted for the preparation of definite proposals, and therefore the Sub-Committee did right in refusing to discuss the merits of the Protocol. I cannot, however, say it did right when it left the matter where it did, because this was one of the questions it was asked by this Commission of Enquiry to do. It was asked to recommend some procedure by which this matter could be considered and dealt with, and I now propose that this question be referred to the Economic Co-ordination Sub-Committee.

**Dr. CURTIUS (Germany)** [*Translation*]. — The German delegation views with sympathy the suggestion made by the Soviet delegation for a pact of economic non-aggression with the object of making it easier for the European countries to exist side by side with one another on peaceful terms, and obviating any discrimination in their relations with one another. The idea on which this scheme is based fits in so closely with the idea of European co-operation that there can be no objection to it in principle. We accordingly welcome it very warmly.

We believe that the principles underlying this Protocol, if developed, will have a very desirable effect. We should have been glad if immediate results could have been obtained, but we have noticed more than once that other members of the Commission think it necessary for the Governments represented here to consider these proposals first. This



hesitation must not be construed as implying hostility to the draft. The Governments are entitled to require that they shall have cognisance of the Protocol before signing it, because it is an extremely important document. Accordingly, the best procedure would, I think, be to place the question on the agenda of our next session, and I hope that the Commission will then be able to accept the Soviet delegation's proposal.

M. ZAUNIUS (Lithuania) [*Translation*]. — The Soviet delegation's proposal deals with a very important matter. The question before us is whether the proposal should be referred to the Co-ordination Sub-Committee or postponed to our next session. I second the proposal that the question should be studied by the Commission itself at the next session.

The CHAIRMAN [*Translation*]. — The Protocol before us is divided into two parts, one setting forth certain principles and the other concrete proposals. The first part consists of a declaration of peace in economic matters. M. Litvinoff says: "We have done with war generally, in the economic as much as in the political sphere". He goes still further and says that economic coalitions against a country with the object of crushing it or impairing its prosperity are inadmissible.

I do not believe that there is here a single representative of a European country who cherishes any such design. All of us here, in the League of Nations and in the Commission of Enquiry for European Union, want peace, the whole peace and nothing but the peace, extending to all countries and to all branches of activity.

Beside this preamble, however, M. Litvinoff's Protocol contains certain proposals which, though formulated in general terms, nevertheless need to be very closely examined.

We set up a Sub-Committee to go into the various questions raised here. We have referred to it every proposal that has been made, among them M. Litvinoff's Protocol. The Sub-Committee examined the Protocol and found that it raised certain questions of principle which it thought exceeded its jurisdiction

M. Litvinoff will not be surprised if I tell him that the Protocol alone, apart from the preamble, might very well form the subject of an international economic conference at which the debates would be extremely intricate. The Sub-Committee was accordingly forced to say that it was unable to make any suggestions.

The Commission of Enquiry has, however, set up an Economic Co-ordination Sub-Committee whose powers in the economic sphere are to be interpreted in the widest sense, and which will deal with this problem raised by M. Litvinoff. Thus, the wishes of Mr. Henderson, Dr. Curtius and M. Zaunius have been anticipated by the Sub-Committee.

In the course of its studies, the Economic Co-ordination Sub-Committee may perhaps be able to make some useful suggestions with regard to aggression and the definition of the aggressor. We have already gauged the many difficulties inherent in these questions in the political field and they will probably be found to be equally controversial in the economic. The aggressor must be sought before he can be denounced: he must be found before he can be punished.

In any case, M. Litvinoff may rest assured that we shall not forget the ideas he has placed before us. The reason why the European countries have come together is to seek for some method of remedying the chaotic condition of production and thereby consolidating peace among nations.

### 31. Credits allocated in the 1931 Budget for the Commission of Enquiry for European Union.

M. AVENOL, Deputy Secretary-General, read the following note from the Secretary-General:

"When the League budget for 1931 was framed, we had no information on which to estimate the expenditure which the Commission of Enquiry might have to meet this year, and the appropriation of 28,000 francs voted by the last Assembly will soon be exhausted.

"The programme contemplated in the report will demand an additional sum of about 100,000 francs. The only item in the budget from which so large an amount can be taken is Item 24 'Reduction of Armaments', since the International Conference for the Control of the Manufacture of Arms and Ammunition and of Implements of War cannot be held this year. On the other hand, the Secretary-General told the Fourth Committee that he would not use the large sums voted from year to year — and never expended so far — for the International Disarmament Conference to increase other items in the budget by way of transfers; and, that being so, he would feel a certain reluctance to withdraw such a sum from the appropriations voted for the International Conference for the Control of the Manufacture of Arms and Ammunition and of Implements of War.

"The work which the Commission desires to undertake is so important, and we are all so anxious that that work should not be delayed, that it would, I think, be expedient,

to ask the Council, as an entirely exceptional step, to authorise a transfer of 100,000 francs from the appropriation for the reduction of armaments to the item in the 1931 budget representing the work of the Commission of Enquiry.

"I therefore beg to suggest the following resolution :

"The Commission of Enquiry for European Union,

"Requests the Council to transfer, in the budget for the current financial period, the sum of 100,000 francs from sub-head VI ("International Conference for the Control of the Manufacture of Arms and Ammunition and of Implements of War") of Item 24 ("Reduction of Armaments") to Item 30 ("Commission of Enquiry for European Union"), this transfer being essential for the full accomplishment of the work which the Commission of Enquiry has decided to undertake, as stated in its report dated May 21st, 1931."

*The draft resolution was adopted.*

**32. Signature of the Convention instituting the International Agricultural Mortgage Credit Company (continuation).**

On the invitation of the CHAIRMAN, the heads of the delegations of the following countries signed the Convention: Belgium, Bulgaria, Czechoslovakia, Estonia, France, Germany, Greece, Hungary, Latvia, Luxemburg, Poland, Portugal and Roumania.

**33. Date of the Next Session of the Commission.**

On the proposal of M. MOTTA, the Commission decided, to meet on the same day as the Council — namely, September 3rd, 1931.

**34. Close of the Session.**

The CHAIRMAN [*Translation*]. — We have now come to the end of the road on which we set out together, not without some misgiving. There were, on our agenda, many complex and difficult questions, on which views that were often opposed had long been expressed in different countries. Some of those questions were particularly embarrassing and might have engendered some heat in our debates. We have discussed them all in a spirit of European goodwill and union, animated by that desire for peace which is so deeply implanted in us.

After all, our Commission has been in existence only a few months and we are entitled to feel proud of our first efforts, because, even at this early stage, we have devised some means of alleviating the sufferings of certain countries.

We may also be proud when we remember that, with the help of the League organisations, in the short interval since our last session, we have solved a question like that of agricultural credits, for which a solution has vainly been sought for many months. I may even say that the signature of the Convention on agricultural credits which we have witnessed to-day is an event of the first order. I feel sure that to-morrow these signatures will be followed by others and that all the nations of Europe will combine to ensure the success of the new Institute.

Our Commission will find new problems facing it, for there can now, I think, be no question of its utility.

I may tell you that the day I launched my suggestion to set up our Commission I asked myself whether in spite of my age and experience I was not being childishly rash. What, I wondered, would be the outcome of such a proposal? Would it not raise insuperable obstacles in my path? Old as I am in affairs of state, I still have a remnant of a taste for adventure that has often spurred me on to some bold step. Serious difficulties might have wrecked our enterprise, but the resolve of Europe to unite was all the stronger in that she was forced by events to face the consequences of her own imprudence. The dreadful growth of unemployment and the economic depression taught us the lesson of what happens to men and nations that fail to unite, when disaster incites them to build factory after factory and to produce on an ever increasing scale, without stopping to ask whether, when the exhausted stocks have been made good, there will still be sufficient customers: when they leave the way open to unbridled speculation, unsettling consumers and in the end exhausting them to the point of depriving them of all capacity to buy.

After a few months of anarchical conditions like these, there is no cause for surprise that Europe should suddenly find itself face to face with grave peril. The distress grew and spread, and then the countries of Europe pondered the danger and felt the need to combine and parry it.

Then the less fortunate turned to those whom the crisis had not yet reached, but on whom it might react, and said to them: "Come first to our aid because we are bowed beneath a load of misery and we need immediate succour. At once we went to them,

at once we sought means to relieve them. To-morrow — and it will certainly be the first task of the Commission for European Union, as even now it is the first task of the League of Nations, we shall have to organise methods for helping one another; for practising co-operation in all branches of life, and I feel sure that, in doing so, the Commission for European Union will find stronger justification each year for its existence and demonstrate its utility ever more clearly. As it goes forward, our Commission will collaborate ever closer with the League of Nations, whose offspring we are and for which, notwithstanding some thwarts and crosses, we have the deepest affection.

You will remember the fears of dualism that were expressed at the beginning, of opposition between our two organisations. The present session must have dispelled all such misgivings; on the one side, we have the Council of the League and on the other, the Commission of Enquiry for European Union, deliberating almost simultaneously, sometimes concerning the same problems; the two bodies exchange views and combine with one another in the pursuit of the same ends.

I believe it will always be thus. I probably shall not see the triumph of some ideas but I feel quite certain, even now, that the work begun will not be relinquished by the members of our Commission but will continue steadily to grow. I shall record with the utmost satisfaction each success achieved by our Commission as it advances along the road.

I must apologise for being perhaps a little too long. I was urged to speak of all these matters by an emotion that I would have preferred to conceal, but which I could not resist.

In conclusion, I thank you for the way in which you have helped me in the performance of my duties as Chairman, and made it possible for me to feel personal satisfaction at having done something to further the successful inauguration of this Commission.

Mr. HENDERSON (Great Britain). — We cannot allow this meeting to close without expressing once more our indebtedness to our Chairman.

I am sure we shall all agree with his remarks concerning the value of this Commission. I think there were many sceptics when it was first organised, but each time we meet — and I refer especially to the present session, the important questions that we have been compelled to face and some of the issues that we have already reached, as well as those we hope to reach at our next session in September, all go to prove the wisdom of the action taken by M. Briand when he originated this plan. I want to ask you to accord to him your appreciation for the way in which he has seen us through all the business of the Commission up to the present stage, and to express the hope that we may long have him at the head of our Organisation.

The CHAIRMAN thanked Mr. Henderson and pronounced the third session of the Commission closed.

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ANNEX 1.

C.206.M.84.1931.VII.  
[C.E.U.E./17.]  
[C.E.U.E./C.O.6.(1).]

AGENDA OF THE SESSION.

In accordance with its terms of reference as defined by the resolution of January 21st, 1931, the Organisation Sub-Committee has studied "the other questions" which have been "submitted to the Commission", and has thought it necessary to suggest to the Commission the order in which it might study the questions with which it will have to deal at its third session in May.

In the course of the Sub-Committee's proceedings, the Danish Government called its attention to the advantage which would attach to establishing contact, by periodical meetings, between the Directors of the Press Bureaux of the various European countries, and announced that it would submit detailed proposals on that subject at one of the later sessions.

The representatives of the German and Italian Governments reserved their Government's freedom to suggest, at the May session, that Item III of the agenda be taken before Item I.

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PROVISIONAL AGENDA OF THE THIRD SESSION OF THE COMMISSION OF ENQUIRY FOR  
EUROPEAN UNION.

- I. Report by the Organisation Sub-Committee on the Constitution, Organisation and Procedure of the Commission of Enquiry for European Union.
- II. Proposal by the Polish Government regarding the Participation of the Free City of Danzig in Certain Aspects of the Work of the Commission of Enquiry for European Union.
- III.<sup>1</sup> Economic Questions: The World Economic Depression in so far as it affects Europe as a Whole.

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- (a) *First Results of the Work undertaken by the Economic and Financial Organisation of the League and the International Labour Office concerning the World Economic Depression in general and Unemployment in particular* (Resolution 16 of the Report adopted by the Eleventh Assembly on the Economic Work of the League of Nations — document A.79.1930).

The Eleventh Assembly decided that the Economic and Financial Organisation should undertake a study of the course and phases of the present depression. It was to collect the information compiled by the national institutions, etc., and take into account the results of the enquiry conducted by the International Labour Office into unemployment. Those enquiries will not be concluded by May, but the Economic and Financial Organisation will be able to submit to the Commission of Enquiry, at its May session, a preliminary report on certain aspects of the economic depression. This document will be communicated before the meeting.

The Governing Body of the International Labour Office, at its meeting on January 31st, 1931, instructed the Director to submit to it at its April session a memorandum on the possibilities of laying proposals for practical action in the field of unemployment before the Commission of Enquiry for European Union in May, while continuing its own enquiries and acting on international lines. If, on examining this memorandum, the Governing Body approves the methods which the International Labour Office proposes for referring to the Commission of Enquiry the question of unemployment regarded from the point of view of the workers' interests, the Office will submit a report to the Commission of Enquiry.

- (b) *Work done at the Meetings of February 23rd and 26th last on Questions connected with the Disposal of Existing and Future Stocks of Grain.*

1. The Commission invited the grain-exporting countries of Central and Eastern Europe and the European importing countries to meet and make a common effort to find

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<sup>1</sup> In accordance with the decision of the Commission of Enquiry at its meeting on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics will be invited to be represented at the Commission's discussions on this item of the agenda (Annexes 1a and 1b).

means of disposing of the grain surplus at present available. The meeting took place on February 23rd, 1931, and a Final Act (document C.E.U.E./E.C./8) was drawn up. The results obtained by the efforts of the signatories of this Act will be communicated to the Commission at its coming meetings.

2. A Committee was set up to study the problem of the export of future harvest surpluses. This Committee met on February 26th and made a report to the Chairman of the Commission of Enquiry for European Union (document C.192.M.75.1931.II.B). The Committee recommended that, agricultural phenomena being by their very nature liable to change, further consultation should, if found necessary, take place under the auspices of the Commission of Enquiry. The Committee also thought of submitting a supplementary report after the Conference convened at Rome before March 26th by the International Institute of Agriculture.

*(c) Work on Agricultural Credits.*

The Commission appointed a Committee of eleven members to deal with the question of agricultural credits. This Committee, which is to keep in touch with the work of the Financial Committee of the League, will hold a meeting before the May session, in order to be able to report to the Commission of Enquiry.

*(d) Extension to Other Domains of the Principle underlying the Commercial Convention of 1930.*

According to this principle, if a contracting State increases duties already in existence or imposes new duties, a procedure of notification and appeal is instituted in favour of the other contracting States.

The Belgian Government, from which this proposal proceeds, considers that this principle could with advantage be extended to other domains connected with the exchange of goods, the circulation of capital, the treatment of individuals, and the system of communications and transport.

The Belgian Government proposes to explain to the Commission its views on the putting of this principle into practice.

*(e) The Treatment of Foreigners.*

After the International Conference of November 1929, which was unable to arrive at an agreement, the Belgian Government took the step of asking six other European States — France, Germany, Great Britain, Italy, the Netherlands and Switzerland — to reconsider the problem with a view to laying down the broad lines of an agreement which would represent an improvement on the present situation. The representatives of certain of these countries have held several meetings and made certain progress.

The Belgian Government, which referred this question to the Commission of Enquiry, will make a statement on the essential facts of the problem and its inherent difficulties.

*(f) Transmission and Transit of Electric Power.*

This question, likewise raised by the Belgian Government, has already been dealt with in certain of its aspects by the Transit Organisation of the League. The Commission of Enquiry might request the Council to desire the Transit Organisation to consider the question and recommend it to invite the Belgian Government and the Norwegian Government, which has also displayed special interest in the subject, to be represented on the Committee which would be appointed to study it.

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ANNEX 1a.

C.184.M.70.1931.VII.

**PARTICIPATION OF THE GOVERNMENTS OF ICELAND, TURKEY  
AND THE UNION OF SOVIET SOCIALIST REPUBLICS IN THE  
DISCUSSION ON ECONOMIC PROBLEMS.**

**A. LETTER FROM THE ICELANDIC GOVERNMENT TO THE SECRETARY-  
GENERAL OF THE LEAGUE OF NATIONS.**

I have the honour to acknowledge receipt of your letter of January 23rd last, inviting the Icelandic Government to participate in the next meeting of the Commission for the study of the economic crisis of the world in so far as it affects the European countries, which meeting is to be summoned in May this year.

On behalf of the Icelandic Government, I beg to express my great appreciation of the said invitation, which is gladly accepted.

I shall later have the pleasure to notify the name of the Icelandic delegate, and avail myself of this opportunity to express to you, Sir, the assurance of my highest consideration.

(Signed) Trygger THORHALSSON,  
Prime Minister of Iceland.

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C.184.M.70.1931.VII.  
[C.E.U.E./14.]

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

[Translation.]

I have the honour to acknowledge the receipt of your letter dated January 23rd, 1931, in which you were good enough to inform me that, in accordance with the decision of the Commission of Enquiry for European Union, Turkey is invited to take part in the Commission's work. I have also noted the agenda for the next session.

I have pleasure in thanking you for this communication, and in informing you that the Government of the Republic has decided to accept the invitation and to be represented at the next meeting of the Commission of Enquiry for European Union.

The Government of the Republic is convinced that the aim pursued by the States represented on the Commission of Enquiry for European Union can only be achieved by strict adherence to the generally recognised principles of the sovereignty of all the participating States, their equality at law, which is the basis of international relations and the character of the Union itself, which must not be in opposition to any group of Powers in other Continents or in Europe.

My Government trusts that the work of the Commission of Enquiry will lead to definite and practical results.

(Signed) DR. ROUCHDY.

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C.156.M.53.1931.VII.  
[C.E.U.E./13.]

C. LETTER FROM THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[Translation.]

Moscow, February 6th, 1931.

I have received your letter of January 23rd, in which you inform me that the Commission of Enquiry for European Union has "decided to study the world economic crisis in so far as it affects the European countries as a whole, and to invite the Soviet Union to participate in this study".

This communication, taken in conjunction with the French Government's memorandum concerning the organisation of a European Union, which was officially communicated to the Soviet Government, and with the debates which took place at the last session of the Commission of Enquiry in so far as the Soviet Government is acquainted therewith, has left the said Government in a state of doubt as to a certain number of questions.

The replies of various Governments to the French memorandum with regard to the nature of the new organisation's aims, and the most suitable methods of achieving those aims, contain a number of contradictions.

The Soviet Government has its own view on the causes of the permanent economic divergencies existing between the different States, and of the economic depression and crises which periodically arise in capitalist countries, as well as on the means by which humanity should seek and can attain effective solidarity between peoples; but it does not appear necessary to state this view here. Furthermore, it must be evident to all the States concerned that, without generally ensuring universal peace, and more particularly European peace, by eliminating the causes which threaten to disturb it, there can be no hope of the efforts to establish European solidarity in the economic or any other sphere achieving any degree of success. The "bourgeois" economists themselves acknowledge the indissoluble connection between the political unrest, which at present exists and which is continually growing more profound throughout the world, with the constant increase in armaments, which in certain countries represent as much as 40 per cent and 50 per cent of the national budgets, and the more and more serious international economic antagonisms which are developing simultaneously with the economic crisis within each country.



It is equally obvious that it is impossible to pursue the aim of improving the relations between the different States and of consolidating between them that peace which forms the necessary foundation of any economic co-operation and at the same time to try to oppose some of these States to others. In the same way, if the aim is a union of Europe as a geographical unit, without specifying that this union only applies to States based on a given social and political system, it must be acknowledged that the participation of any particular State in this union must follow automatically from its geographical situation, and this no discussion can modify; the union must comprise all countries belonging to this geographical unit, even as regards only a small part of their territory.

In view of the self-evident nature of these considerations, it is incomprehensible and surprising that a group of European States should arrogate to themselves the right to decide on the admission or non-admission of another group of European States to a community which claims the title of "Pan-European". The singularity of this fact is not lessened when we see, for example, Switzerland, whose territory is only 0.4 per cent of the area of Europe, or even Norway, for which the corresponding figure is 3.1 per cent, pronounce against or question the admission of a country like the Soviet Union, occupying in Europe alone a territory forming nearly 45 per cent of this continent, and nearly twice the size of the combined areas of Belgium, Denmark, France, Netherlands, Norway, Roumania, Spain, Sweden and Yugoslavia. In considering this question, it is necessary to reject altogether as entirely inappropriate all arguments and conclusions of a legal and purely abstract nature, which might be suitable in an assembly of lawyers but not in an international political assembly comprising the statesmen responsible for the conduct of foreign affairs in a large number of countries. If, however, in spite of the title of the body from which the invitation received by the Soviet Union emanates, the intention is not to establish a general union of European States, but to establish within the continent of Europe two groups of countries separated by purely legal or by political and social characteristics, we are inevitably led to ask whether equal and equivalent rights will be given to the two parties in this organisation in their contemplated co-operation.

The resolution of the Commission of Enquiry for European Union says that the latter "has decided to study the world economic crisis". It is not clear, however, from this text whether the Commission proposes to confine its activities to this question, or whether it reserves the right to bring other questions within its scope at any moment; and whether, in the latter case, the discussion of these questions will be undertaken only by a group of European States or by all these States. This question is a natural one, since in the course of the debates of the Commission of Enquiry the opinion was expressed that questions might come before the Commission which would be very difficult to discuss in the presence of a representative of the Union of Soviet Socialist Republics, but it was not stated whether this was because those questions were of no interest to the Union of Soviet Socialist Republics or because they interested it too closely. If this idea was adopted by the Commission as a whole, the Soviet Union might have to participate in the work of a Commission which would take steps to prevent its representatives from sharing in the discussion of questions of the most immediate concern to them and in which, in fact, they were the principal party concerned.

The Soviet Government, realising that it cannot hope to have any light thrown on these questions outside the meetings of the Commission, and that it would probably be embarrassing for the Commission to give definite replies, has decided to take part in the forthcoming proceedings of the Commission of Enquiry for European Union, while reserving its final attitude to the Commission's future work until it has received the necessary enlightenment and until it has itself studied the Commission and the nature of the unification which the inviting section of the Commission has in view.

In taking this decision, the Soviet Government has been guided by its constant desire to contribute to the success of all steps which, with its help, may be directed towards the consolidation of universal peace, and more particularly of European peace; at the same time, it takes its stand on the principles, theoretically recognised in the French memorandum, of the sovereignty of States and of their equality of rights, and on the idea that the new organisation cannot "be opposed to any ethnographical combination . . . either in Europe itself or in other continents".

(Signed) M. LITVINOFF.

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ANNEX 1b.

C.265.M.120.1931.VII.  
[C.F.U.F.21.]

**PARTICIPATION OF THE GOVERNMENTS OF ICELAND, TURKEY  
AND THE UNION OF SOVIET SOCIALIST REPUBLICS IN THE  
DISCUSSION ON ECONOMIC PROBLEMS.**

**1. LETTER FROM THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS  
TO THE GOVERNMENTS OF ICELAND, TURKEY AND THE UNION OF  
SOVIET SOCIALIST REPUBLICS.**

Geneva, April 1st, 1931.

I have the honour to inform you that the third session of the Commission of Enquiry for European Union will open on Friday, May 15th, 1931, at 11 a.m., at the Secretariat at Geneva.

I enclose the provisional agenda of the session as drawn up by the Organisation Sub-Committee which sat on March 24th and 25th. It will be seen from this document that certain Governments reserved their liberty to suggest at the May session a change in the order in which the questions will be examined. I regret, therefore, that I cannot state exactly when the Commission will begin its examination of the questions which appear on the provisional agenda under Item III.

(Signed) Eric DRUMMOND,  
Secretary-General.

**2. LETTER FROM THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST  
REPUBLICS TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.**

[Translation.]

Moscow, April 23rd, 1931.

I have received the letter dated April 1st in which you were good enough to inform me that the third session of the Commission of Enquiry for European Union will open on Friday, May 15th, 1931, at 11 a.m., at the Secretariat of the League of Nations.

You enclosed with your letter the provisional agenda of the session, consisting of three items :

I. Report of the Organisation Sub-Committee on the constitution, organisation and procedure of the Commission ;

II. Proposal regarding the participation of the Free City of Danzig in certain of the Commission's proceedings ;

III. Economic questions : the world economic crisis in so far as it affects Europe as a whole.

A note to Item III states that, in accordance with the decision of the Commission of Enquiry at its meeting on January 19th, 1931, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics will be represented during the Commission's discussions on this item of the agenda.

It is to be inferred from this statement that the three countries mentioned are not to be represented during the discussions on the first two items of the agenda. It seems to me that such an interpretation would be inconsistent with the previous decision of the Commission of Enquiry. This decision stated that the Commission had decided " to study the world economic crisis in so far as it affects the European countries as a whole, and to invite, through the Secretary-General, the Governments of Iceland, Turkey and the Union of Soviet Socialist Republics to participate in this study ". So long as the Commission has not placed any other question on its agenda, this decision means that the three countries mentioned are taking part in all the Commission's proceedings. But a country which is taking part in all the proceedings of a Commission is entitled to express its views as to the form of organisation of the Commission, its constitution, its composition and its methods of operation, because these various questions of procedure are bound to influence the lines on which the Commission will work, and even its actual decisions. This right is unquestionable, unless the participation of any particular country has been limited to certain specified questions ; but the Commission of Enquiry for European Union has not taken any such decision in respect of the Soviet Union or Turkey or Iceland. If, therefore, the decision of the Organisation Sub-Committee means that the three countries in question will be excluded from the discussions on the first two items of the agenda, that decision is necessarily inconsistent with the decision reached by the Commission of Enquiry on January 19th ; or else it means that the Sub-Committee in settling in advance

a question which was, to say the least of it, still open — viz., that of the participation of three European countries in the examination of any material problems which the Commission of Enquiry might subsequently place upon its agenda. If this latter point is answered in the affirmative, the three countries "invited" are indisputably entitled to take part in the settlement of questions of procedure. In excluding the three countries from the debate on these questions, the Organisation Sub-Committee is clearly acting on the assumption that those countries are only to be associated in the decisions on certain problems, and not on all the problems with which the Commission of Enquiry has to deal. I do not see, however, on what that assumption is based.

Attributing a restrictive sense to the Organisation Sub-Committee's decision, you thought it necessary, Sir, to inform me that you could not state exactly when the Commission would begin its examination of Item III of the provisional agenda — doubtless assuming that the delegation of the Soviet Union was only to arrive in Geneva in time for that date. I regret to observe also that you do not state by whom that date will be determined. In other words, you invite the delegations of three European States to come to Geneva without giving them any exact date. Whereas, on receiving your first invitation to the European Commission, I had to call attention to the obscurity and ambiguity of the decision reached by the Commission on January 19th, and to say that the delegates of the "invited" States would have to proceed to Geneva to ascertain more definitely the meaning of the invitation, I am now obliged, after your second communication, to observe that the delegates of the "invited" States are asked to come to Geneva to ascertain also the date of the invitation. It would be hard, I think, to find any other instance of such a method of invitation, whether in Europe or elsewhere. Such invitations might be objectively interpreted as designed to provoke a refusal on the part of those invited, were it not necessary to allow for the sincerity and frankness which is absolutely essential in the organisers of so vital a cause as that of the unification of Europe.

Trusting that you will be good enough to bring the foregoing to the notice of the organisers of the third session of the Commission of Enquiry for European Union, I have the honour to inform you that the delegation of the Union of Soviet Socialist Republics will hold itself in readiness to arrive at Geneva between May 15th and 25th, and will await notice of the exact date on which it is invited to proceed thither; I must ask you to note that the delegation cannot travel from Moscow to Geneva in less than four days following the receipt of such notice.

(Signed) M. LITVINOFF.

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### 3. TELEGRAM FROM THE TURKISH GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[Translation.]

Ankara, April 25th, 1931.

I have the honour to acknowledge the receipt of the letter dated April 1st, 1931, in which you informed me that the next session of the Commission of Enquiry for European Union will open at Geneva on May 15th but that a provisional agenda having been drawn up by the Organisation Sub-Committee which met at Paris you are unable to inform me of the exact date on which the Commission might begin its examination of the questions appearing under Item III of the provisional agenda, reservations having been made by certain countries on this subject. While thanking you for this communication, I must point out that in your letter dated January 23rd, 1931, inviting the Government of the Republic to take part in the proceedings of the Commission of Enquiry you informed me that the next session of the Commission would take place in May at a date to be fixed later and that the work which it proposed to undertake was to study the world economic depression in so far as it affects Europe as a whole. What you have described, however, as the provisional agenda drawn up by the Organisation Sub-Committee does not appear to derive from the resolution in virtue of which you were good enough to invite my Government to take part in the proceedings of the Commission of Enquiry. At the same time it should be pointed out that, since — to judge by its provisional agenda — the Commission has to determine its own method of procedure, I do not see how we could usefully co-operate in the proceedings of a Commission which had adopted for its work methods decided upon in the absence of certain of its members and without their knowledge. The Government of the Republic which is still of opinion that the preparatory work of the Commission cannot be fruitful unless the projected Union rests from its inception on the solid foundations of the legal equality of all the participating States and which is resolved to give proof of the spirit of international co-operation which it has never yet ceased to display will hold its delegation in readiness to proceed to Geneva between May 15th and 25th. I shall be obliged, Sir, if you will inform me in good time of the exact date at which the Turkish delegation is asked to be at Geneva. At the same time I would ask you to bear in mind that the Turkish delegation will require four or five days after the receipt of your final notice to travel from Ankara to Geneva. — TEVFIK ROUHDY.

4. LETTER FROM THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS  
TO THE GOVERNMENTS OF TURKEY AND THE UNION OF SOVIET SOCIALIST  
REPUBLICS.

Geneva, April 29th, 1931.

I have the honour to acknowledge receipt of your telegram (letter) dated April 25th-23rd regarding the meeting of the Commission of Enquiry for European Union. I am communicating it to the members of the Commission, together with my reply.

After consulting the President of the Commission, I have the honour to inform you that, for the reasons stated in my letter of April 1st, we cannot foresee exactly when Item III of the provisional agenda will be examined by the Commission. We think it probable, however, that the Commission will begin its examination of Item III (Economic Questions) either on the afternoon of May 15th or on the morning of the 16th. You will doubtless conclude from this that it would be desirable for your delegation to be in Geneva by May 15th.

(Signed) ERIC DRUMMOND,  
Secretary-General.

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ANNEX 2.

C.240.M.106.1931.VII.  
[C.E.U.E.19.]

ADDITIONS TO THE AGENDA OF THE SESSION PROPOSED  
BY THE GERMAN GOVERNMENT.

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

Berlin, April 14th, 1931.

[Translation.]

With reference to the rules laid down by the Organisation Committee concerning the fixing of the agenda of the Commission of Enquiry for European Union, I have the honour to propose on behalf of the German Government that the following two points should be placed on the agenda of the session of the above-mentioned Commission of Enquiry beginning on May 15th, under No. III (Economic Questions):

1. Development of Customs Relations in Europe.

*Reason.* — The German Government thinks it advisable to discuss once more the situation created by the present Customs relations in Europe and by the failure of the Geneva Commercial Convention of March 24th, 1930.

It also desires to make a communication with regard to the aims which it is pursuing in this domain in agreement with the Austrian Government. It further considers it desirable that the possibilities of effecting an improvement in European trade by granting preferential duties should again be discussed on this occasion.

2. Customs Exemption of Fuel for Motor Vehicles crossing the Frontier by  
Land, Water and Air.

*Reasons.* — The use of motor vehicles in European traffic has enormously increased in all the territory under consideration by land, water and by air in the last few years without the countries of Europe having taken this increase fully into account in their Customs legislation, particularly from the point of view of the granting of Customs exemption to motor fuel in traffic across the frontier. This circumstance has also hitherto prevented even those European countries which were disposed to take steps to meet the requirements arising out of this increase of traffic from effecting a settlement of the question.

A uniform solution taking equal account of the needs of European traffic and of the fiscal interest of the European countries therefore appears desirable.

(Signed) CURTIUS.

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ADDITION TO THE AGENDA OF THE SESSION PROPOSED  
BY THE ITALIAN GOVERNMENT.

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

Rome, May 12th, 1931.

[*Translation.*]

With reference to the proposals of the Organisation Sub-Committee with regard to the agenda of the Commission of Enquiry for European Union, I have the honour to propose that the Commission at its meeting to be held in Geneva on May 15th next considers — in accordance with the urgency procedure provided for in the proposals referred to — the desirability of discussing under No. III of the agenda the following point : “ To consider the most desirable means and the most appropriate procedure to enable the Commercial Convention of March 24th, 1930, to be put into force without delay with the accession of the largest possible number of European Governments.”

*Explanation.* — The Italian Government takes the view, which has already been put forward by its representatives on various occasions at recent Economic Conferences held under the auspices of the League of Nations, that the Commercial Convention of March 24th constitutes an indispensable preliminary basis for the future development of action of any kind in the sphere of agreements between States. As, however, owing to the absence of agreement between the parties, the period ending April 1st, 1931, has expired without it being possible to put the Convention in question into force, it appears desirable to look for better means and possibly the better procedure to be followed to enable the question to be reconsidered without delay with a view to the attainment of the object referred to.

(Signed) GRANDI.

*Series of Publications :* 1931.VII.2.

ANNEX 4. *Official No. :* C.204.M.82.1931.VII.  
[C.F.U.E.16.]  
[C.E.U.E./C.O./5 (1)]

CONSTITUTION, ORGANISATION AND PROCEDURE OF THE  
COMMISSION OF ENQUIRY FOR EUROPEAN UNION.

REPORT OF THE ORGANISATION SUB-COMMITTEE.

At its meeting on January 21st, 1931, the Commission of Enquiry for European Union set up a Sub-Committee, consisting of the representatives of Great Britain, Denmark, Finland, France, Germany, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia, to study the constitution, organisation and procedure of the Commission.

1. Before submitting to the Commission the outcome of the Sub-Committee's discussions, it may be well to recall in a few words the origin and character of the Commission.

It will be remembered that the Assembly expressed its conviction that close co-operation between the Governments of Europe in every field of international activity was of capital importance for the preservation of peace, and associated itself with the unanimous opinion of the representatives of the European Governments that such co-operation was necessary. It invited the Governments of the European States Members of the League of Nations to form themselves into a League Commission to pursue the enquiry. It was thus clearly specified that this Commission should be an organ of the League, but that it should be open to the Commission to pursue its enquiries in conjunction with non-European Members and with European non-member Governments. On this subject the

President of the Assembly said : " I am sure that I am expressing the unanimous opinion of the Assembly in saying that those States Members of the League which are not represented on the Commission just set up should nevertheless be entitled to send observers to the Commission's meetings, so that they may submit their views should they think fit. I take it that the Assembly approves this proposal. "

2. It may also be well to call attention to the fact that after the Commission's second session the Chairman was deputed to communicate to the Council the resolutions passed by the Commission, with a request that it take note of them and authorise the technical organisations and the Secretary-General of the League to take the necessary action. The Council, at its meeting on January 23rd, 1931, acted accordingly.

From all this we obtain certain essential facts regarding the constitution and organisation of our Commission. First, as we have already seen, the Commission is a League Commission, and it is its duty, as such, to report to the Council and Assembly, which will decide what action is to be taken on its resolutions. Under these conditions, therefore, the Commission may secure the assistance of the technical organisations and advisory committees of the League.

Secondly, those States Members of the League which are not represented on the Commission are entitled to send observers to its meetings and submit their views should they think fit. These States share, moreover, in the general supervision exercised by the Council and the Assembly over all the Commission's proceedings.

3. Acting as a League Commission, the Commission of Enquiry is subject, generally, to the usual rules for such commissions, but it can, of course, make special rules of its own. For example, the Commission has already agreed that each Government may be represented by a delegate and, if it so desires, by a deputy-delegate. Again, the Commission has already invited certain European Governments not members of the League to take part in the study of the world economic crisis in so far as it affects the European countries as a whole. Further, it has set up *ad hoc* Committees of its own members to deal with special questions. Naturally, it retains the right to set up other such committees in the future, on the understanding that, in each case, it will decide upon their composition, the subject with which they are to deal, and their duration. In each case, such committees should include representatives of the States specially interested in the questions under consideration.

For the better organisation of our proceedings, it would doubtless be well to ask any Member who may wish to place a question on the agenda of any session to inform the Secretary-General not less than one month before the opening of the session. With the Chairman's approval, the Secretary-General could then send out a provisional agenda to all Members three weeks before the beginning of the session. Every request to have a question placed on the agenda should be accompanied by a statement specifying in detail the subject in question and its European aspects.

At the first meeting of each session the Commission would fix its final agenda, and questions which were referred to the Commission but were not on the provisional agenda could not, of course, be discussed at the current session unless, for reasons of urgency, the Commission so decided. The Commission could always refer any question submitted to it to an *ad hoc* sub-commission for a preliminary opinion before deciding whether to place it on the agenda.

The Commission has already laid it down that, in principle, its proceedings shall be public. It might be arranged that, following the practice of the League Council, the Commission shall hold a private meeting at the beginning of each session for the purpose of fixing the final agenda.

Every year, after the Assembly of the League of Nations, the Commission would elect its Chairman and its Vice-Chairman.

The Secretary-General of the League of Nations would always act as Secretary to the Commission.

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ANNEX 5.

C.338.M.151.1931.  
[C.E.U.E./33.]

## PROPOSALS FOR REMEDYING THE PRESENT EUROPEAN CRISIS.

### MEMORANDUM FROM THE FRENCH GOVERNMENT.

#### Summary.

The French Government desires to submit to the Commission of Enquiry for European Union a constructive plan affording prompt and practical solutions for the most urgent economic problems by which Europe is at present faced.



### *I. Agricultural Problem.*

This problem, which consists primarily in facilitating the disposal of the cereals produced by the countries of Central and Eastern Europe, has already been considered by the Conferences of Geneva, Paris and Rome. The London Conference which is to meet on May 18th should contribute to its solution.

Being convinced, however, that the distress of the countries in question is largely due to inadequate prices, the French Government proposes that the measures already in contemplation (disposal of stocks, creation of an exporters' union, scheme for international agricultural credit, etc.), should be supplemented, as those concerned desire, by the institution of a preferential system for their grain up to specified quotas fixed periodically, and open to revision.

The French Government offers no opinion as to whether in exchange for such a regime the grain-exporting countries should not or should grant equivalent concessions to the importing countries. It considers, however, that such concessions should in any case apply to all third parties.

### *II. Industrial Problems.*

To mitigate the crisis of over-production and its consequences, the French Government, which is much impressed with the inadequacy of the results secured by direct efforts to bring about a simultaneous reduction of Customs tariffs, recommends that the method of separate international agreements should be returned to and extended. It is of opinion that this method, which has already proved its efficacy, would contribute very considerably to the organisation of the European market, and would also, if pushed to its logical conclusion, make it possible to secure a reduction of tariff barriers more easily than could be done by general conventions.

It does not, however, reject any of the other contemplated methods for obtaining this result, and considers it necessary to persevere in the negotiations on this subject already initiated between various countries.

### *III. Special Position of Austria.*

The French Government considers that in view of the difficult position of Austria it is the duty of the Powers to which that country has given an undertaking not to alienate its independence, to contribute to its material development, on the understanding that Austria on her side will do all in her power to improve her economic situation.

The French Government proposes that Austria's chief customers should grant special facilities to her trade. This system should be concerted among all the countries concerned, and, if equivalent concessions were demanded, they should not be preferential in character.

### *IV. Credit Problems.*

The execution of a programme of effective European collaboration should tend to ease the general strain — an essential condition for that financial co-operation which is indispensable.

This co-operation can, of course, in its initial stages, take the form of ordinary banking operations.

Moreover, the putting into effect of the scheme for agricultural mortgage credit prepared by the Financial Committee will make it possible to meet the special needs of the countries of Central and Eastern Europe.

Lastly, the French Government considers that in a more general way a special effort should be made to make it easier to float large Government loans — whether for the purpose of stabilisation or productive expenditure — on the best possible terms. It proposes that the Financial Committee should be instructed to arrange on a permanent footing, and by means of a special bureau, for the preparation and issue of these loans in the general interest and on the widest international basis.

In the French Government's view the solutions contemplated under Nos. I and III, being designed to meet abnormal and temporary difficulties, can only be exceptional, temporary and limited.

Moreover, the French Government considers that the programme put forward by France implies, if it is to be carried through in its entirety, a general desire for a more peaceful atmosphere, and consequently a determination to eliminate everything that might impair the necessary co-operation among all the countries of Europe.

### **Memorandum.**

The Commission of Enquiry for European Union has decided to open a discussion on "the world economic crisis in so far as it affects Europe as a whole".

Moreover, after it was known that the Austro-German Customs Union Protocol of March 19th, 1931, had been signed, the German Government proposed that the Commission should place the question of European tariff policy on its agenda.

The tariff problem is only one aspect of the general economic problem. The French Government therefore does not think it necessary to state separately its views on the best remedies for the economic depression and its suggestions regarding the proper lines for the tariff policy of the European countries.

Reserving for the Council of the League of Nations, with which it lies to deal with the matter, its observations on the subject of the Austro-German Protocol, the French Government proposes to explain in this Memorandum the principles according to which, in its view, a policy of restoring European economic conditions could be carried into effect.

The French Government has always been thoroughly convinced of the need for positive action, and is willing, now as hitherto, to co-operate in such action to the utmost of its power. When, last September, it took the step of calling at Geneva for the appointment of a Commission of Enquiry for European Union, its object was to establish a more rapid and effective instrument.

The causes of the present depression are numerous, of long standing, and deeply rooted. To mitigate, if not to end, the depression, the essential thing is to resist the temptation to disperse our efforts and, on the contrary, to unite them, to concentrate them on a certain number of specific points, and to pursue them with energy and perseverance.

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At its second session — that is to say, at the beginning of its work, the Commission of Enquiry for European Union was informed, in a penetrating study by M. Colijn, of the results of the three sessions of the Conference with a View to Concerted Economic Action.

The Commercial Convention adopted by that Conference could not be put into force. Apart from that, the Conference had had before it three proposals, all envisaging tariff negotiations :

A British proposal aiming at an all-round reduction of tariffs proceeding by groups and stages ;

A Netherlands proposal suggesting negotiations between States with autonomous tariffs and States with conventional tariffs ;

A proposal by several countries asking for preferential Customs treatment for their surplus grain produce.

M. Colijn pointed out the difficulties these proposals had encountered. Of the various methods suggested for improving the situation of the agricultural countries of Central and Eastern Europe, however, the Conference, said its President, had only accepted one — that of agricultural credits — inviting the League to pursue energetically, through its Financial Committee, the study of this question.

Addressing the Ministers for Foreign Affairs present, the President of the Conference begged them not to ignore what was taking place in the sphere of economic relations and added :

“ It is particularly for those who have to maintain and improve international relations to bring about a better economic organisation of Europe.”

## I. THE AGRICULTURAL PROBLEM.

Faced by this problem, the Commission of Enquiry for European Union at once took practical action, dealing first with the position of the agricultural countries. Any attempt to find a way out of the difficulties of the depression in Europe must be directed, in the first instance, towards helping the agricultural countries. Their purchasing power has been so weakened that, if it could be restored and increased, the more specifically industrial countries would gain the stimulus of a large, active and extended demand.

The work contemplated by the Commission of Enquiry has been carried out by several Conferences and Sub-Committees.

Doubts have, it is true, been expressed as to the results of this work. These doubts are answered by the facts. The reports that have been submitted to the Commission of Enquiry for European Union are sufficient to show that most valuable work leading to practical suggestions and solutions was done by the two Paris Conferences (February 1931) and the International Conference at Rome (March 1931).

### *Scheme for Agricultural Mortgage Credit.*

Simultaneously, the work entrusted by the Commission of Enquiry for European Union to the Financial Committee of the League last January with a view to the preparation of the practical scheme of agricultural mortgage credit has proceeded.

The scheme is now ready. If the sanction of the Commission of Enquiry and the Council of the League is obtained, the new Agricultural Mortgage Institute can start its operations at the beginning of next autumn.

It will be seen, therefore, that, far from having been sterile, the efforts made by the European Union in the space of three months have borne considerable fruit. This proves that the method employed is not a faulty one. It affords an excellent example of international co-operation, and deserves to be pursued to the end.

### *Agricultural Preference System.*

Being convinced that the distress of the peoples of Central and Eastern Europe is largely due to the inadequate prices at which they have to sell their grain, the French Government considers it important to supplement the measures already contemplated by instituting, as those concerned desire, a system of European preference for their grain.

This preferential system, as the French Government conceives it, does not invalidate the most-favoured-nation clause. In the French Government's view the "preference" should be exceptional—it should be in the nature of a derogation justified by abnormal circumstances, and consequently variable as those circumstances may vary, and, moreover, limited by the fixing of a specified quota which would itself be open to review.

Conceived on those lines, there seems no reason why the preferential system should disquiet those countries which have hitherto opposed it.

The overseas countries in particular appear to have realised at Rome that, as far as they were concerned, it would affect only quantities negligible for practical purposes. On the basis of the average for the last three years, the wheat and flour surpluses available for export in the nine principal producing countries of the world may be estimated at 209 million quintals. In this total, the Danubian countries are represented by only 9 million quintals, or 4.3 per cent. Moreover, their wheat does not compete with Canadian, Australian, Argentine or American wheat; it is of a different quality and finds different buyers. The difficulty is not so much to secure new markets for this wheat as to obtain better prices on its normal markets.

If, therefore, the granting of a preference should involve any sacrifice, the sacrifice will not fall either on other exporting countries or on countries which do not buy Danubian wheat.

Nor does resort to the preferential system necessitate any discrimination being introduced into the Customs tariffs of the purchasing countries as these at present exist. Wheat of every kind, no matter from where it may come, would pay the existing duties on importation into the protected territories, and in this way the price system within the countries in question would not be disturbed. The producers, however, would receive a certain proportion of the duty paid, calculated so as to ensure them, as far as possible, an adequate remuneration.

Strictly speaking, therefore, States making this rebate take nothing from the regular revenue of the State budget at the taxpayer's expense; all that happens is that they receive a little less on an item of revenue which has never been regarded as a regular means of budgetary income.

In practice, the system which the French Government recommends might take the following form :

1. The countries of Central and Eastern Europe would set up a single joint selling bureau for their wheat.
2. A commission, on which the buying and the selling countries would be represented, would periodically fix the quotas which would receive Customs preference.
3. The representatives of the buying countries on this Commission would allocate these quotas and fix the amount of the preference.
4. The preference would take the form of a rebate paid to the central bureau of the selling countries.
5. The central bureau would divide these sums between the various national organisations of the selling countries, which in their turn would pass them on to the farmers. Moreover, both quota and preference might, if necessary, be revised.

It would not appear to be difficult to give practical effect to such a system, nor is it likely to encounter insuperable obstacles.

### *Question of Equivalent Concessions.*

The question arises whether the buying countries which give the benefit of preference to the selling countries in respect of a specified quota will grant it without any consideration, or whether they will be entitled to an equivalent concession in return.

Certain countries favourably disposed to preference will put forward the crisis through which their own industries are passing as a reason for claiming, in order to ensure the marketing of their manufactured products, a Customs advantage corresponding to that which they give the agricultural countries.

This might give rise to objections on the part of States not in a position to grant any preference to the wheat of the European exporting countries.

In order to remove these objections, it might perhaps be decided that the advantages conferred on the countries buying Danubian cereals as an equivalent for the preference granted by them should be automatically extended to all countries entitled to the benefit of the most-favoured-nation clause.

The French Government does not desire to decide between these two ideas for the moment. In any case, it considers that the essential point is to interfere as little as possible

with the most-favoured-nation clause, and therefore that it is desirable either to give no equivalent concession at all or to make it available to everyone.

Moreover, it is of opinion that the question is a complicated one and should be fully discussed; it will only come to a definite decision after this discussion.

At present it will be sufficient to accept, under the conditions just stated, the principle of a temporary preferential system, variable and limited, which would be applicable to wheat exported by the countries of Central and Eastern Europe.

The French Government is convinced that this system, if supplemented by an international mortgage credit institution, the adoption of the measures suggested by the Conferences of Paris and Rome and the concerted action of exporters for the purpose of regulating the disposal of stocks, is likely to lead to an immediate and increasing relief of the depression in the agricultural countries of Central and Eastern Europe.

Moreover, in endeavouring to improve the situation of the populations of these countries, the industrial countries in the West will not be making a useless sacrifice: the renewal of the purchasing power of the Danubian farmers will be seen in an increase in their demand for manufactured products, and the purchases that they formerly made in the Western countries — which have fallen off by half since the crisis — will recover and exceed their former level.

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## II. THE INDUSTRIAL PROBLEM.

The measures recommended by the French Government to alleviate the agricultural crisis can constitute only a part of a constructive programme; for the agricultural countries alone are not suffering from the crisis. The crisis also affects industrial countries. The problem must therefore be considered under this aspect.

The League of Nations has not failed in this respect. Since 1927 it has been endeavouring to confer on Europe a new economic charter.

The League apparently considered at first that unduly high Customs barriers, which hinder the marketing and the movement of goods, were the real cause of the economic difficulties in Europe and throughout the world; it therefore endeavoured to induce the parties concerned to agree to a simultaneous and uniform reduction in their Customs tariffs. This action on the part of the League of Nations was, however, rendered signally difficult by the crisis of exceptional extent and duration which had meantime occurred.

After long and fruitless discussions, it was compelled to abandon this method.

It was then thought desirable to fall back on the idea of a stabilisation of duties and at least to secure what was called a "Customs truce". This scheme did not prove any more successful.

Nor have the efforts of the Economic Conference with a view to stabilising the tariff regime arising from the commercial treaties so far led to the desired result.

As a matter of fact, Customs duties are an effect and not a cause.

The cause of the present crisis, or rather the causes, for they are numerous, must be sought in the disequilibrium between the production of raw materials and the production of manufactured goods, a disequilibrium which is itself attributable to over-rapid technical progress and the undue speed with which rationalisation has been pursued during the past few years; in the absence of agreement between the principal centres and elements of production, each of which has developed independently without regard to the others, and finally in the defective distribution of markets by machinery badly organised for the distribution of commodities.

### *Necessity of developing Agreements between Producers.*

If these views are accepted, then the means of remedying the crisis will take the form improving the operation of the machinery of production and distribution, and of regulating production and sale. This is, moreover, the method and form of international action employed or suggested in the case of wheat.

The production of raw material, the transformation industries and the distribution of commodities are now dealt with by a large number of cartels.

As regards raw materials, it will be sufficient to mention potash, copper, zinc, tin, mercury, aluminium, superphosphates and rock salt.

As regards manufactured products, mention may be made of raw steel, cast steel, rails, tubes, rolled wire, wagons, dye-stuffs, synthetic nitrates, incandescent lamps, enamel products, linoleum, heavy electric material and sugar.

Reference may be made in the transport industry to numerous maritime pools, which supervise the freight market.

These combines may also be classified according to their degree of development. Some of them lay down national quotas, fix prices, allocate markets and exercise supervision at every stage of production and distribution. Others confine their activity to one stage of production or trade and are less fully developed. Some derive their strength from their purely technical resources, others from their financial resources.

Have these combines proved successful?

No doubt they did not prevent the crisis from occurring. However, if they had been more numerous and of longer standing, if they had been concluded for a longer period, it might perhaps have been possible to avoid the economic crisis.

In any case, wherever these combines existed and wherever their action made itself felt the effects of the crisis were mitigated and the market, instead of collapsing, showed signs of comparative strength.

Indeed, if we look around the economic world, we find that industrial combines are the sole element of order and organisation which has stood fast.

The French Government considers that the true method — adapted to circumstances and deduced from experience — is the method of combines. In this respect a study of the past confirms the lessons of the present. The situation prior to the war, a realisation of the obstacles to the League's economic action, an analysis of the attempts just made to form a sugar cartel or those which will soon result in the formation of a wheat combine — all lead to the same conclusions.

This is the right road to take; it is the road that, we may hope, will lead us to the result we seek.

The task before us is still a very considerable one. It will consist in strengthening existing combines, and enlarging their field of action, and in promoting new combines.

For example, the international steel combine should be strengthened by an extension of the term of its contract, and the geographical area it covers should be increased.

The combine of French, German and Swiss producers of heavy electrical material, concluded for twenty years, should be extended to other countries.

The negotiations between French, British, Belgian and German producers for the organisation of the coal market should be resumed, stimulated and brought to a successful issue.

Products which have hitherto lain outside the field of international action but which occupy a prominent place in the economic sphere should be cartellised.

Thus, agreements might be concluded in regard to *chemical products* (other than dye-stuffs already cartellised), in particular artificial fertilisers.

Partial agreements have recently been concluded in the *motor-car industry*. Thus, the European market might be divided by means of quotas amongst the various producing countries.

As regards *textiles*, the silk combine exists as yet only in rudimentary form; it should be further developed.

The international conferences regularly held by the *wool industry* also provide the elements of a *rapprochement*, which, without undue difficulty, should lead to the formation of a real cartel.

As regards *timber*, the advantages of an international agreement are clearly evinced not merely by the chaotic state of the market but by the necessity of concerted action to reduce felling, and these circumstances will tend to promote the conclusion of such an agreement.

#### *Private Combines and Reductions of Tariffs.*

Further, the French Government does not advocate only the consolidation and extension of combines such as those hitherto in existence. It thinks that this economic policy should henceforth be conducted on lines calculated to give it a new character and increase its importance.

Hitherto when negotiating or forming a combine, producers, in making their calculations have always regarded Customs duties as *res acta*, as one of the unchanging factors of the problem.

Their agreements were to some extent based on Customs duties. They could stabilise them; it did not seem, however, that they could exercise any far-reaching influence on the tariff policy of the participating countries.

The French Government considers that to-day, if combines are increased and extended, they might directly affect Customs tariffs and change their aspect.

Indeed, whenever a combine is sufficiently powerful, it regulates both quotas and prices. It reserves the home market for the producers of each country belonging to the combine; and at periodical meetings it fixes the quotas of imports to be admitted to the various countries at prices agreed upon after discussion.

Hence the Customs duty on imported cartellised products is not so important as under the open competition system. It may be justifiable for quantities for which no quota has been fixed, but it loses its *raison d'être* as a protective duty for quota consignments, and for that category of products it becomes needless, since the national industry is already protected.

It is therefore possible to contemplate a partial lowering of tariff barriers between the different countries without in any way injuring the interests either of producers or consumers, and without in any way disturbing the national economy of the various countries.

The tariff would of course not be abolished, because it is essential to be forearmed against the danger of dumping. The amount of the duty might conceivably be refunded, however, in respect of all products cleared through the Customs with a certificate of origin issued by the accredited administration of the cartel. In this way products imported from one country to another in accordance with the quotas fixed by industrial agreements would in practice be duty free.

Such a system would, moreover, constitute a kind of bounty to those accepting voluntary discipline, whereas the producers of countries refusing to enter international combines would be excluded from the benefit of exemption from duty. Such a system would frustrate — at all events, in respect of cartellised products — the artifices, such as



direct or indirect export bounties, which are so frequently employed to upset markets and which favour unfair competitors to the detriment of the others.

The French Government desires to add, moreover, that though it advocates this method and asks for it to be considered, it by no means rejects any other which might lead to the same result, and, in particular, it is prepared to continue the negotiations already begun with certain countries with a view to the revision of existing tariffs.

There will obviously be objections to the cartel method, more especially since it is not a new system and there has been ample opportunity to study it.

It will perhaps be said that the League has already attempted to give its patronage to this system and has had to abandon its attempts. Nevertheless, the League's enquiries have not been entirely fruitless. They have given new prominence to the idea; they have stimulated fresh initiatives; but for them, the newly created sugar syndicate would perhaps never have been brought about. The coal cartel, which was impossible yesterday, will perhaps be formed to-morrow. A programme, if it is to be endowed with life, must not merely be right in itself, but circumstances and the moment must alike be favourable.

It will be objected that the combine method does not lead to immediate results, that it requires long and detailed preliminary conversations and that the terms of the combine being revisable at fairly frequent intervals it will prove uncertain and will not engender permanent security.

Yet although the conclusion of agreements has hitherto proved slow and toilsome, although the agreements concluded may be frail, it may be hoped that their negotiation will be less difficult and they themselves become more solid when the Governments and the League of Nations take them under their auspices, stimulate them and assist private initiative.

Above all it is evident that the proposed Austro-German Customs Union, if it is to take shape, will require no less time and no less trouble. To decide in principle upon a Customs union can quickly be done, but to bring it into being is a much longer process. In practice the Austrian and German Governments will be obliged to revise, article by article, the whole Commercial Convention which at present regulates trade between the two countries. There will be discussions and objections in regard to most of those articles. It will probably be necessary to establish intermediate tariffs to tide over the period of transition and to save a large number of Austrian industries from collapse. Remember that in the "Salzburg" scheme set up in October 1918 half of the Austro-Hungarian items were, at the request of the Austro-Hungarian industries, provided with "intermediate tariffs" to meet the contingency of a Customs union with Germany.

The comments which accompanied the publication of the draft in the countries concerned openly admit moreover that a very long period would be necessary before the union could be completed.

Within that period how many international combines could be concluded!

Lastly, when we come to fundamentals, it seems that the method proposed by the French Government is not essentially different from that which the Austrian and German Governments are to put into practice.

In either case the method is to examine an article or a material and regulate its production and sale by means of an agreement.

The method advocated by the French Government which is no less rapid or adaptable than the Austro-German method and does not substantially differ from it offers undoubted advantages over it.

The French programme takes no account of frontiers; consequently it does not present any political dangers nor does it give rise to any kind of suspicion.

It does not lead to the creation of rival economic units. It does not leave the League of Nations outside the scope of the action it recommends; it will come into effect within the framework of the League and with the League's help.

Lastly, it does not deliberately discard all that has been attempted hitherto. It is based on experience; it is the crown of ten years of incessant effort.

For all these reasons the French Government feels justified in thinking its method preferable to that of the Austro-German Customs Union.

It proposes that, since a general action to bring about the immediate and simultaneous lowering of Customs duties has not succeeded, the economic life of the nations, each material and product being dealt with in turn, should be organised at an accelerated rate, by developing the system of combines and cartels, regardless of political frontiers, in the certainty that in this way and in no other way Customs barriers will gradually be eliminated smoothly and without disturbance.

It proposes the immediate convening of a conference similar to those held at Paris to study in a strictly practical spirit the problem of wheat, or the appointment of a committee of experts, similar to the delegation formed by the Financial Committee of the League of Nations, for the purpose of drawing up a practical scheme of agricultural mortgage credit.

It proposes that that committee or conference should be asked to determine what industrial combines it is most important and easiest to strengthen, extend or create, and what inter-State Customs agreements should be made to supplement such combines.

Thereafter the French Government proposes that with the help of the experts and under the auspices of the various Governments the various industrial interests should be invited to confer together and conclude agreements, on the basis of the plan laid down, to introduce greater order into production and trade and to establish peace on a more solid basis.



### III. THE SPECIAL SITUATION OF AUSTRIA.

It would be desirable that the general programme of European economic restoration should be completed by exceptional measures enabling immediate and effective aid to be given to Austria.

Austria, situated as she is in a pivotal position in Central Europe, is bound to live mainly on her foreign trade with European countries. In normal years she sells 49 per cent of her exports to European industrial countries — in other words 6 per cent, 10 per cent and 12 per cent more than Belgium, France and Germany respectively. She also markets 28 per cent of her exports in the agricultural countries of Europe, of which she is one of the principal sources of supply.

Austria is thus bound to suffer more than any other country from the slump in trade between European States, which are forced by the economic crisis to withdraw into themselves, and it may justifiably be feared that, as a result, the difficulties she has experienced hitherto are being aggravated.

The Europe community can no more rest indifferent to this position than can the Government of Austria itself.

It is an imperative duty for the Austrian Government to remedy the evil in so far as the causes of that evil are due to its own action.

But the Powers to which Austria gave a solemn undertaking not to alienate her independence without the approval of the Council of the League and which must see that nothing is done to jeopardise that independence, are also in duty bound to assist Austria to economic prosperity, at all events in so far as her free existence is at stake.

It is its sense of this moral responsibility which has led the French Government to the view that, in any scheme of European organisation, special consideration must be given to the economic difficulties of Austria. Indeed, the desirability of helping Austria's international trade was realised, when the new frontiers were fixed, by the signatories of the Treaty of St. Germain, who provided (Article 222) for the conclusion, for a period of 5 years, of preferential agreements between Austria and the Succession States of the former Monarchy. For various reasons which need not be repeated here, however, that clause has not been applied.

The French Government proposes that, under the auspices of the League of Nations, the European States which are Austria's principal customers should examine together the situation of that country and endeavour in concert with it to find solutions which, while compatible with their own interests, are at the same time calculated to improve Austria's trade balance by extending her markets.

The facilities which the States concerned would be asked to grant may vary in each individual case; one country might grant tariff reductions on certain articles, another advantages in respect of transport, and so on.

Further, it will have to be considered whether these concessions should or should not be counterbalanced by concessions on Austria's part. In the French Government's opinion, however, any such counter-concessions should not be of a preferential nature.

Convinced as it is that Austria's difficulties are only temporary and are due to the period of economic adaptation through which that country is passing and that Austria will in the near future find sufficient opportunities for economic expansion by exploiting her natural resources and more particularly her water power, the French Government considers that the special regime contemplated should also be of a provisional character.

Any departure from the most-favoured-nation clause which may result in respect of Austrian goods would thus be strictly limited both as regards the time for which it would be applicable and the articles to which it would apply; and, in view of its exceptional character, it should be welcomed by other countries.

The French Government considers that this regime must not be established by bilateral agreements but by joint negotiations between the various States concerned and Austria.

In applying the system of agricultural preference advocated by the present Memorandum, Austria, as one of the principal cereal-buying countries, will be asked to make, by the reductions of Customs duties to which she would agree, a relatively greater fiscal sacrifice than the other countries. The French Government considers that, in order to take this contribution into account and in view of the general considerations set forth above, it is only right and expedient that Austria, as compared with the other countries of Central and Eastern Europe, should be granted corresponding benefits in the programme of European mutual assistance.

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### IV. CREDIT PROBLEMS.

The application of the programme set forth above should result in establishing, on the basis of co-operation instituted between all the Powers concerned, a permanently easier atmosphere. Such an atmosphere is essential for the fulfilment of the measures of financial co-operation without which no plan of European reconstruction can be effectively carried out.

A movement of capital from countries possessing lendable funds to markets where capital is scarce is an essential preliminary condition of such reconstruction.

Useful financial operations, however, will not become possible until the existing difficulties have really been smoothed away, the French market being in a position, for its part, to co-operate at once with the other markets where capital is held, with a view to ensuring the success of these operations, either under the auspices of the League or within the enlarged framework of private relationships between one financial market and another.

As regards agricultural countries, the Financial Committee and the Committee appointed by the Commission of Enquiry for European Union acting on the initiative of the Council of the League, have just set on foot a mortgage credit scheme which will give agriculturists in those countries means to obtain the long-term credits which they at present lack or can obtain only at usurious rates of interest. As soon as its Statutes have been put into force the new organisation will be able by issuing bonds in different markets to obtain the capital necessary to enable it to operate.

Here then is fresh evidence that, in a concrete case relating to a specific subject, the competent organs of the League are fully capable of establishing an institution which can secure the support both of the Governments concerned and of the financial circles which will have to operate it in accordance with the ordinary rules of business. The French Government hopes, for its part, that the new institute will have an opportunity of proving its worth at the earliest possible moment.

It thinks, however, that, side by side with this first achievement, or with any similar one which might be attempted, it would be no less desirable in a neighbouring field to contemplate and to urge intervention by the League on a still wider scale.

Indeed, from the general point of view of the need for capital, whether European or from overseas Members of the League of Nations, it may be noted that a large number of transactions must, in view of their size, be effected by co-operation between the banks of the different markets, both in the case of State loans for currency purposes and for financing large programmes of public works. In the absence of any specialised international organ, such transactions at present give rise to competition which is often needless and indeed harmful, the different markets having ultimately to reach agreement for the realisation of such projects.

For this category of transactions the French Government suggests for its part that the League's Financial Committee should be permanently empowered to receive requests from borrowing States, and by agreement with them to approach bankers in the various markets with a view to the formation of lending groups, which should, of course, be strictly international. In this way, the most flexible and closest link could be formed between the directing organs of the lending markets, treasuries and banks of issue and the borrowers. The security offered would have to be valued by an impartial examination, and any disputes arising out of the execution of contracts could themselves be referred to international authorities.

Perhaps indeed the competent Committee of the League of Nations might undertake, at the same time, to study under what conditions really international bonds with wide possibilities of free circulation in every market should be created.

The French Government feels there is no need to emphasise the importance of systematic intervention by the Financial Committee at any time when an urgent need for capital is revealed throughout the world.

As regards transactions of a different category from the above — whether they be short-, medium- or long-term — namely, such transactions as would be left to the banks in the various markets, French credit institutions have always been desirous of co-operating with other lending markets in carrying them through. Contact has already been frequently established on this subject. Apart from large issues which have been made on the Paris market, it may be recalled that the Bank of France has recently formed a group consisting of a certain number of French banks; that this group has expressed its readiness either to act in concert with similar groups in other countries or to take action direct within the limit of its available funds, to satisfy any need for medium-term credits that may be manifested.

In certain agricultural circles, on the other hand, insistence has been placed on the desirability of extending operations for financing the harvests; the French Government for its part is ready to approach French banks which specialise in this class of transaction, and to consider with them any concrete proposals that might be capable of realisation, either in France or for preference in agreement with other financial centres.

Lastly, any noticeable improvement in international relations must in any case manifest itself on all markets by a resumption of normal transactions, a result which is at present rendered difficult by the political atmosphere. This development would relate particularly to the following transactions:

1. Readier admission to the market in various national centres of first-class securities, which are at present too often quoted in their market of origin alone; such quotation would permit companies concerned to become better known abroad and thus to obtain capital more readily there.

2. A more active participation of the various national credit institutions in investments abroad, either of their reserve funds or of the proceeds of bonds issued by specialised organisations.

3. Facilities, which would constantly be extended, for placing on the loan markets reliable foreign issues by means of appeals to the public, whether loans of public bodies, companies holding concessions or private companies.

A wide policy of European collaboration must permit of progress in these three directions, limited solely by the necessity of furnishing the indispensable financial guarantees to private lenders. That is to say, the programme outlined above corresponds to concrete realities and must give positive results.

In applying the measures which have been outlined, it goes without saying that the first efforts would be devoted to countries whose special situation demands immediate assistance.

In this respect the action in favour of Austria which the present Memorandum has in view in the industrial sphere would naturally be supplemented by a parallel action in the financial sphere.

It further goes without saying that the various parts of the constructive programme submitted by the French Government form a single whole and that financial assistance must, in the realm of industry, accompany the formation of agreements which will avoid the dangers of unbridled competition for the lending countries.

But, above all, it is clear, and one cannot too often insist on the fact, that such a programme, if it is to be accomplished, presupposes a general desire for peace in Europe. Without such a desire, those who have money to lend in the various countries, being anxious above all for security, will continue to avoid investing money abroad, whatever be the measures taken by Governments to secure their assistance. Thus, financial requirements are closely connected with political requirements, and any solution not based on collective co-operation in a plan for European re-organisation would prove to be fruitless.

ANNEX 6.

C.307.M.145.1931.VII.  
[C.E.U.E./27.]

ADDITIONS TO THE AGENDA OF THE SESSION PROPOSED  
BY THE BELGIAN GOVERNMENT.

PROPOSAL BY THE BELGIAN GOVERNMENT FOR THE INSTITUTION OF A  
PROCEDURE OF NOTIFICATION AND REDRESS IN MATTERS RELATING  
TO INTERNATIONAL TRADE.

EXPLANATORY NOTE.

[*Translation.*]

Geneva, May 6th, 1931.

Among the proposals put forward by the Belgian Government on December 11th, 1930, in connection with the agenda of the Commission of Enquiry for European Union will be found the following suggestion :

The system of permanent union which it is proposed to set up between the various European States implies, in the first place, the avoidance, so far as possible, by them of measures by which they might affect one another adversely. In the regulations, however, which they find it necessary to enact in the economic field, to safeguard national interests, sufficient allowance is not always made, particularly in times of emergency, for the interests of other peoples. Governments, being concerned primarily with remedying the internal difficulties with which they have to cope, frequently injure neighbouring countries by the measures they employ, arouse their resentment or even call forth reprisals. In this way, far from curing the evil, they have sometimes only made it worse.

In the field of Customs policy, the Commercial Convention concluded at Geneva on March 24th, 1930, laid down a principle which merits attention in this respect. The Convention instituted, in the case of one of the contracting parties finding it necessary to increase existing Customs duties or to impose new duties, a procedure of notification and redress in favour of the other contracting States. The latter States are thus given an opportunity of putting forward their interests and, if need be, asking for any necessary changes and adjustments.

Notwithstanding the hope expressed by the Commission of Enquiry for European Union at its first session, the signatory States, which met in conference at Geneva on March 16th last, were unable to agree upon the date for the putting into force of the Commercial Convention.

At present it is impossible to say whether the Convention can be applied at some later time, or whether the idea on which it was based will be taken up again one day in other circumstances. It should further be noted that the Convention was only intended as a temporary measure.

In these conditions it would seem particularly desirable to extract from the provisions embodied in the Convention the principle to which reference is made above, to enlarge its scope as far as possible, and to convert it into one of the permanent rules governing international trade.

PROPOSAL BY THE BELGIAN GOVERNMENT RELATING TO THE DRAFT  
CONVENTION ON THE TREATMENT OF FOREIGNERS.

EXPLANATORY NOTE.

[*Translation.*]

Geneva, May 6th, 1931.

In its note of December 11th, 1930, the Belgian Government drew the attention of the Commission of Enquiry for European Union to the draft Convention on the Treatment of Foreigners.

This question, which is raised in Article 23(*e*) of the Covenant, has been under consideration by the League almost since the beginning of its work.

As the outcome of protracted preliminary investigations, a draft was framed and submitted at a Conference which met in Paris on November 5th, 1929. After deliberating for four weeks, the Conference was obliged to recognise that the complexity of the subject made it impossible to reach any generally accepted solutions for certain questions, and that the problem would accordingly have to be examined afresh.

In point of fact, the amendments and reservations submitted during the discussions were markedly retrograde as compared with the original draft, and indeed even with the measures already applied in a large number of countries.

For this reason the Conference, on concluding its session, decided to submit the question for fresh examination by the Governments and drew their attention "to the expediency of drafting the proposed Convention on the most liberal lines, with the possibility of appending exceptions based on special situations of fact or of law at present existing, in view of which the Governments will put forward their proposals".

Being anxious to facilitate the action initiated in this sense, and to pave the way for a second session of the Conference in accordance with the programme mapped out, the Belgian Government made proposals to certain Governments which had displayed a similar desire, with a view to conferring on the possibility of framing a draft on liberal and equitable lines, such as might receive the support of the other Governments.

The Belgian Government has been gratified with the acceptance of its proposal by the various Governments it has consulted. Certain entirely unofficial conversations were held in September and November 1930, and again in January 1931, between representatives of Belgium, France, Germany, Great Britain, Italy, the Netherlands and Switzerland, with the valuable help of the Economic Relations Section in the League.

The concordance of views achieved during these negotiations made it possible to draft a Convention based on broader tendencies than that prepared by the Paris Conference. The Governments which took part in these conversations have appended the draft to the observations they have sent to the Secretary-General of the League. Their intention in so doing is to indicate the solutions which they would be prepared to recommend for adoption at a second session of the Conference, to facilitate the Conference's work thereby and to enhance its prospects of success.

It was considered that this action merited the attention of the Commission of Enquiry for European Union.

No system of inter-European Union is conceivable unless nationals and concerns in one European country receive in the territory of the others equitable treatment approximating so far as possible to that enjoyed by nationals of the country and national concerns. The main difficulties which have hitherto prevented the conclusion of the proposed Convention have been found to exist among the European countries. The Members of the Commission should therefore do their utmost to help in surmounting those difficulties.

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ANNEX 7.

C.354.M.153.1931.VII.  
[C.E.U.E/34.]

DRAFT PROTOCOL OF ECONOMIC NON-AGGRESSION PROPOSED BY  
THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST  
REPUBLICS.

The representatives of the undersigned European countries,  
Recognising that :

(*a*) The mitigation of the crisis which has overtaken the national economy of most countries requires, in addition to abstention from war as a means for the solution of international conflicts, the complete cessation of all forms of economic aggression, both avowed and concealed, by any countries or groups of countries, against any other countries or groups of countries ;

(b) The cessation of economic aggression is an essential condition for the peaceful co-operation of States in the sphere of economics, irrespective of their political-economic systems ;

(c) The cessation of economic aggression would help to put an end to the present atmosphere of mistrust, uncertainty and alarm, weighing so heavily upon the economic position ;

And hoping that all other countries inspired by their example will join this Protocol, Have decided to recommend their Governments to sign the following Protocol :

1. The contracting parties once more solemnly confirm the principle, proclaimed at the International Economic Conference of 1927, of the peaceful coexistence of countries, irrespective of their social-political and economic systems.

2. The parties undertake in their mutual relations to forego any discrimination whatever, and to regard as incompatible with the principles of the present Protocol the adoption and application in their respective countries of a special system directed against one or more of the countries signing the present Protocol or not applicable to all other countries.

This Protocol will be ratified and come into force between those of the contracting parties who give in their ratification papers to the President of the Commission for the study of a European Union.

This Protocol may be subscribed to by all States in the world. Notification of adherence will be given to the President of the Commission for the study of a European Union, and it will immediately come into force between the State subscribing to it, and all other parties to it.

The President of the Commission for the study of a European Union will notify all parties to the Protocol of every new ratification or of every adherent, as soon as ratification papers have been received.

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ANNEX 8.

C.316.M.146.1931.VII.  
[C.E.U.E/29.]

**CUSTOMS EXEMPTION OF FUEL FOR MOTOR TRANSPORT  
CROSSING FRONTIERS BY LAND, WATER AND AIR.<sup>1</sup>**

**PROPOSAL BY THE GERMAN REPRESENTATIVE ON THE COMMISSION  
OF ENQUIRY FOR EUROPEAN UNION.**

Recent years have witnessed an extraordinary growth in the use of motor transport in European traffic, by land, water and air alike. On the road, the motor is predominant for the conveyance of both passengers and goods ; in waterborne traffic, whether by sea or inland waterways, there has been a constant increase in the equipment of vessels with motors ; air transport has so far been confined exclusively to motor-driven craft.

The provisions at present in force in the various European States as regards the Customs clearance of motor fuel for transport crossing the frontiers have failed to keep pace with the rapid growth of traffic ; moreover, they differ in almost all countries. To facilitate traffic between the European States it would be desirable to have uniform regulations for Europe, such regulations to take equal account of modern traffic requirements and of the fiscal interests of the European countries.

The German Government accordingly considered that it should place this issue before the Commission of Enquiry for European Union.

It proposes, with a view to the further examination of the question :

1. That the Communications and Transit Committee of the League be instructed to study the matter further, in consultation, if necessary, with the Economic Committee ;

2. That the Governments of the States represented on the Commission of Enquiry for European Union be requested to send to the Secretariat information concerning the relevant regulations at present in force in the different countries.

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<sup>1</sup> See Annex 2.

**DRAFT CONVENTION ON THE TREATMENT OF FOREIGNERS.<sup>1</sup>**

**DRAFT RESOLUTION PROPOSED BY THE BELGIAN GOVERNMENT.**

[*Translation.*]

The Commission of Enquiry for European Union,

Considering that a system of co-operation between the European States is inconceivable unless the nationals and undertakings of one State receive in the territory of the other States equitable treatment approaching, as nearly as possible, to that accorded to the nationals and undertakings of the State concerned ;

Reaffirming that it would be desirable, as already asserted by the International Conference on the Treatment of Foreigners at the close of its first session on December 5th, 1929, to " draft the proposed Convention on the most liberal lines, with the possibility of appending exceptions based on special situations of fact or of law at present existing, in view of which Governments would put forward their proposals " ;

Being informed of the steps taken in this sense by several of its Members with a view to ensuring the success of the second session of the International Conference on the Treatment of Foreigners, and of the conformity of views reached by them on the majority of important points ;

Being confident in the successful issue of the combined efforts of all its Members in this field :

Invites the latter to give their whole attention, in a spirit of genuine international co-operation, to the various problems raised by the drafts of the Convention on the Treatment of Foreigners, and to take all useful steps to enable the delegates of the European States at the next session of the Conference to be furnished with instructions allowing of the conclusion of a convention representing a real improvement, in the system of European economic relations.

**ESTABLISHMENT OF A PROCEDURE FOR NOTIFICATION AND APPEAL, AND STABILITY IN THE CONDITIONS OF INTERNATIONAL TRADE.**

**DRAFT RESOLUTION PROPOSED BY THE BELGIAN, LUXEMBURG AND SWEDISH GOVERNMENTS.**

[*Translation.*]

The Commission of Enquiry for European Union,

Considering that the state of constant co-operation which should be at the foundation of the European Union implies primarily that the States composing the Union should, as far as possible, avoid all action by which they might injure one another, and that the observance of this principle is specially to be recommended in the field of international trade ;

Holding that it would be desirable accordingly that no European State should put in force any Customs measures which might injure the trade of the other European States, without having first notified them and given serious consideration to any observations they may offer ;

Holding, further, that it is desirable to ensure the stability of commercial relations, and that the European States should with that end in view refrain, as far as possible, from availing themselves of the right to denounce their commercial treaties ;

Recommends its Members to conform to the utmost possible extent with the rules above enunciated, and to adopt them as fundamental principles of the system of international commercial relations.

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<sup>1</sup> See Annex 6.



**SUGGESTIONS FOR SOLVING EXISTING PROBLEMS AS REGARDS  
AGRICULTURE, PRODUCTION AND TRADE, AND CREDITS.**

**DRAFT RESOLUTION PROPOSED BY THE FRENCH DELEGATION.**

[*Translation.*]

The Commission of Enquiry for European Union considers that the following are the most urgent economic and financial problems calling for practical solutions :

1. Agricultural problem : marketing of cereals of Central and Eastern European States ;
2. Problem of production and trade, more particularly marketing crisis in industrial countries ;
3. Problem of credits.

Accordingly,

1. As regards the agricultural problem, it recognises that apart from the measures now in course of preparation or execution (organisation of the grain market, agricultural mortgage credit), the establishment of a preferential agricultural regime would have the effect of lightening working costs, and of ensuring in the abnormal circumstances now prevailing a price which would afford a profit for the Central and Eastern European grain exporters.

Having noted the recommendation passed by the Wheat Committee which met in Paris from February 26th-28th last, the Commission of Enquiry requests its President to convene that Committee again before June 15th with a view to deciding what measures shall be taken, with due reference to the results of the London Conference, in order to ensure the regular application of an exceptional regime of this nature and to co-ordinate the various arrangements made or contemplated with this object by the exporting States in agreement with the importing States.

The Commission of Enquiry considers that the particular facilities in question, designed to meet the difficulties of the present situation, could be granted only as an exceptional and temporary measure and subject to the rights of third States.

Further, the concessions which might be made in compensation should not be of a preferential character.

2. As regards the problem of production and trade, the Commission of Enquiry for European Union recommends, on the one hand, the continuance of tariff negotiations and, on the other, the extension and development of private agreements.

(a) It requests the Council to convene a meeting, when it thinks fit and after consulting the Economic Committee or its Bureau, to take steps for the application of the principles formulated in the Commercial Convention of March 24th, 1930.

(b) It invites the States to continue, and to endeavour to bring to a successful conclusion as rapidly as possible, the commercial negotiations entered into by agreement between various Governments and the British Government on the latter's initiative.

(c) It decides to convene at Geneva in June next a committee of highly-qualified economic experts who, working in contact with the Governments and availing themselves of the work of the economic organisations of the League, will determine what private agreements might most profitably be enlarged or established and by what tariff arrangements they should be supplemented. These experts will be eight in number, one being appointed by each of the following Governments : Belgian, British, Czechoslovak, French, German, Italian, Polish and Swedish.

(d) The Commission of Enquiry for European Union, having considered the statements of the representative of Austria to the effect that that country is at present in a position calling for special and immediate measures, requests the Council to appoint a committee of highly qualified persons to devise and propose such measures, to be taken by the Austrian Government itself or by the European community, as may be best calculated to remedy the difficulties of that country.

This Committee should meet before June 15th, if possible, and should state the result of its work and any proposals it may have to offer at the next meeting of the Commission of Enquiry.

3. With regard to the problem of credit, the Commission of Enquiry for European Union considers it highly desirable that the work of mutual aid among the European countries which it is pursuing may be seconded, thanks to the confidence which should result, by an effective policy of financial co-operation, more especially in the matter of long-term credit.

With a view to preparing for this co-operation, it requests the Council to appoint a small committee of five members, consisting of representatives of the Governments of those countries which might lend money, to consider, in conjunction with a delegation of the Financial Committee, what practical steps could be taken to facilitate the issue of State loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets.

4. Treatment of foreigners.

5. Having regard to the capital importance of the problems of the trade in, and transit of, cattle-rearing products, the Commission of Enquiry for European Union requests the competent organs of the League of Nations to push on the work already undertaken in this matter with all possible despatch.

**ANNEXE 12.**

**RÉUNION RELATIVE A L'ÉCOULEMENT DES STOCKS DE CÉRÉALES 1930,  
(Paris, du 23 au 25 février 1931.)**

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**Acte final**

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**ANNEX 12.**

**MEETING FOR THE DISPOSAL OF 1930 CEREAL STOCKS.  
(Paris, February 23rd to 25th, 1931).**

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**Final Act.**

ANNEXE 12.

RÉUNION RELATIVE À L'ÉCOULEMENT DES STOCKS DE CÉRÉALES 1930.  
(Paris, du 23 au 25 février 1931.)

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Acte final.

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Les Gouvernements de l'ALLEMAGNE, de l'AUTRICHE, de la BELGIQUE, de la BULGARIE, du DANEMARK, de l'ESTONIE, de la FRANCE, de la GRANDE-BRETAGNE, de la GRÈCE, de la HONGRIE, de l'ÉTAT LIBRE D'IRLANDE, de l'ITALIE, de la LETTONIE, de la LITHUANIE, du LUXEMBOURG, des PAYS-BAS, de la POLOGNE, de la ROUMANIE, de la SUÈDE, de la SUISSE, de la TCHÉCOSLOVAQUIE et de la YOUGOSLAVIE,

A la suite de la résolution ci-après, adoptée le 21 janvier 1931 par la Commission d'étude pour l'Union européenne:

« La Commission d'étude pour l'Union européenne,

« Ayant reconnu la gravité exceptionnelle de la crise traversée par les Etats agricoles de l'Europe centrale et orientale et la nécessité de porter remède à cette situation dans le cadre européen, sans attendre les solutions de plus grande envergure qu'elle souhaite voir intervenir et qu'est notamment destinée à préparer la Conférence du Blé, convoquée à Rome le 26 mars 1931,

« Estime que cette situation pourrait être grandement améliorée si les représentants autorisés des pays intéressés de l'Europe (pays exportateurs de céréales de l'Europe centrale et orientale et pays importateurs européens) se réunissaient à très bref délai pour rechercher ensemble *les moyens d'écouler l'excédent de céréales actuellement disponible*. Cette réunion aurait lieu, à la seule diligence du Président de la Commission d'étude pour l'Union européenne, et ses conclusions recevraient leur application sans référence nouvelle à la Commission d'étude. »

Ayant reçu la convocation qui leur a été adressée par le Secrétaire général de la Société des Nations au nom du Président de la Commission d'étude pour l'Union européenne, en vue de participer à une réunion ayant l'objet indiqué dans la résolution ci-dessus mentionnée,

Ont, à cet effet, désigné les délégations suivantes:

ALLEMAGNE.

*Premier délégué:*

Le docteur HERMES,

Président des Associations agricoles; ancien Ministre des Finances du Reich.

*Délégués:*

M. SARNOW,  
M. WEBER,

Conseiller au Ministère des Finances du Reich.  
Conseiller au Ministère de l'Agriculture.

AUTRICHE.

*Premier délégué:*

Le docteur Richard SCHÜLLER,

Directeur de la Section économique, Chancellerie fédérale des Affaires étrangères.

*Délégué:*

M. Henri SCHMID,

Conseiller de la Légation d'Autriche à Paris.

ANNEX 12.

MEETING FOR THE DISPOSAL OF 1930 CEREAL STOCKS  
(Paris, February 23rd to 25th, 1931).

Final Act.

The Governments of GERMANY, AUSTRIA, BELGIUM, BULGARIA, DENMARK, ESTONIA, FRANCE, GREAT BRITAIN, GREECE, HUNGARY, the IRISH FREE STATE, ITALY, LATVIA, LITHUANIA, LUXEMBURG, the NETHERLANDS, POLAND, ROUMANIA, SWEDEN, SWITZERLAND, CZECHOSLOVAKIA and YUGOSLAVIA,

In pursuance of the resolution set forth below, adopted on January 21st, 1931, by the Commission of Enquiry for European Union:

" The Commission of Enquiry for European Union,

" Recognising the exceptional gravity of the crisis through which the agricultural countries of Central and Eastern Europe are passing, and the necessity of remedying this situation in Europe, without awaiting those more far-reaching solutions which it trusts will be devised and for which the Wheat Conference, to meet in Rome on March 26th, 1931, is to prepare;

" Is of opinion that this situation could be greatly improved if the authorised representatives of the European countries affected (grain-exporting countries of Central and Eastern Europe and European importing countries) were to meet at an early date and make a common effort to find means of *disposing of the grain surplus at present available*. The meeting would be called on the sole initiative of the President of the Commission of Enquiry for European Union, and its conclusions would be put into effect without further reference to the Committee of Enquiry."

Having received the invitation sent to them by the Secretary-General of the League of Nations on behalf of the President of the Commission of Enquiry for European Union to take part in a meeting for the purpose indicated in the above-mentioned resolution,

Have appointed for this purpose the following delegations:

GERMANY.

*First Delegate:*

Dr. HERMES,

President of the Agricultural Associations, former Minister of Finance of the Reich.

*Delegates:*

M. SARNOW,  
M. WEBER,

Counsellor at the Ministry of Finance of the Reich.  
Counsellor at the Ministry of Agriculture.

AUSTRIA.

*First Delegate:*

Dr. Richard SCHÜLLER,

Director of the Economic Section, Federal Chancellery of Foreign Affairs.

*Delegate:*

M. Henri SCHMID,

Counsellor of the Austrian Legation at Paris.

BELGIQUE.

*Premier délégué :*

Son Excellence  
M. le comte DE ROMRÉE DE VICHENET,      Ministre plénipotentiaire.

*Délégués :*

M. VAN DER VAEREN,  
M. Albert HENRY,

Directeur général au Ministère de l'Agriculture.  
Directeur général au Ministère de l'Agriculture.

BULGARIE.

*Délégué :*

Son Excellence M. Bogdan MORFOFF,      Ministre de Bulgarie à Paris.

DANEMARK.

*Délégué :*

Son Excellence M. H. A. BERNHOFF,      Ministre du Danemark à Paris.

ESTONIE.

*Délégué :*

Son Excellence M. C. R. PUSTA,      Ministre d'Estonie à Paris.

FRANCE.

*Délégués :*

Son Excellence M. Aristide BRIAND,  
M. A. FRANÇOIS-PONCET,

M. Jules GAUTIER,

M. LESAGE,  
M. Paul ELBEL,

M. ESCALLIER,

M. MASSIGLI,

M. COULONDRE,

Ministre des Affaires étrangères.  
Sous-Secrétaire d'Etat à la présidence du Conseil  
et à l'Economie nationale.  
Président de Section au Conseil d'Etat, Expert  
agricole de la Société des Nations.  
Directeur au Ministère de l'Agriculture.  
Directeur des Accords commerciaux au Ministère  
du Commerce.  
Directeur du Mouvement général des Fonds,  
Ministère des Finances.  
Ministre plénipotentiaire; Chef du Service français  
de la Société des Nations, Ministère des  
Affaires étrangères.  
Sous-Directeur des Affaires commerciales, Minis-  
tère des Affaires étrangères.

GRANDE-BRETAGNE.

*Premier délégué :*

Lord TYRRELL,      Ambassadeur d'Angleterre à Paris.

*Délégués :*

Sir Sydney CHAPMAN, K.C.B., C.B.E.,

M. WIGRAM,

Principal Conseiller économique du Gouvernement  
de Sa Majesté.  
Secrétaire à l'Ambassade d'Angleterre à Paris.

*First Delegate:*

His Excellency  
COUNT DE ROMRÉE DE VICHENET,

BELGIUM.

Minister Plenipotentiary.

*Delegates:*

M. VAN DER VAEREN,  
M. Albert HENRY,

Director-General at the Ministry of Agriculture.  
Director-General at the Ministry of Agriculture.

*Delegate:*

His Excellency M. Bogdan MORFOFF,

BULGARIA.

Bulgarian Minister at Paris.

*Delegate:*

His Excellency M. H. A. BERNHOFF,

DENMARK.

Danish Minister at Paris.

*Delegate:*

His Excellency M. C. R. PUSTA,

ESTONIA.

Estonian Minister at Paris.

*Delegates:*

His Excellency M. Aristide BRIAND,  
M. A. FRANÇOIS-PONCET,

M. Jules GAUTIER,

M. LESAGE,  
M. P. ELBEL,

M. ESCALLIER,

M. MASSIGLI,

M. COULONDRE,

FRANCE.

Minister for Foreign Affairs.  
Under-Secretary of State to the Presidency of the  
Council and for National Economy.  
President of Section at the "Conseil d'Etat",  
Agricultural Expert to the League of Nations.  
Director at the Ministry of Agriculture.  
Director of Commercial Agreements at the Ministry  
of Commerce.  
Director of the "Mouvement général des Fonds",  
Ministry of Finance.  
Minister Plenipotentiary, Head of the French  
League of Nations Department, Ministry of  
Foreign Affairs.  
Sub-Director of Commercial Affairs, Ministry of  
Foreign Affairs.

GREAT BRITAIN.

*First Delegate:*

Lord TYRRELL,

British Ambassador at Paris.

*Delegates:*

Sir Sydney CHAPMAN, K.C.B., C.B.E.,

Mr. WIGRAM,

Chief Economic Adviser to His Britannic Majesty's  
Government in Great Britain.  
Secretary at the British Embassy at Paris.



GRÈCE.

*Délégué:*  
M. R. RAPHAËL,

Délégué permanent du Gouvernement hellénique  
auprès de la Société des Nations.

HONGRIE.

*Premier délégué:*  
Son Excellence M. le baron VILLANI,

Ministre de Hongrie à Paris.

*Délégués:*  
M. Etienne DE WINCHKLER,  
  
M. FODOR,  
M. Simon ENYEDI,

Conseiller de Section au Ministère des Affaires  
étrangères, Sous-Directeur de la Section  
économique audit Ministère.  
Directeur de l'Institut d'Exportation agricole.  
Secrétaire de la Bourse de Budapest.

ÉTAT LIBRE D'IRLANDE.

*Délégué:*  
M. F. J. CAWLEY,

Premier Secrétaire de la Légation d'Irlande à  
Paris.

ITALIE.

*Premier délégué:*  
Son Excellence M. G. DE MICHELIS,

Ambassadeur, Sénateur.

*Délégués:*  
Son Excellence M. CIANCARELLI,  
M. I. BROCCHI,  
M. E. ANZILOTTI,  
  
M. G. C. STUCKY,  
  
M. A. BERIO,

Ministre plénipotentiaire.  
Conseiller d'Etat.  
Directeur général de la Production industrielle  
et des Echanges au Ministère des Corporations.  
Président de la Fédération nationale fasciste des  
Meuniers.  
Premier Secrétaire de Légation à Paris.

LETTONIE.

*Délégué:*  
M. Emil WILLGRABS,

Conseiller à la Légation de Lettonie à Paris.

LITHUANIE.

*Délégué:*  
Son Excellence M. P. KLIMAS,

Ministre de Lithuanie à Paris.

LUXEMBOURG.

*Premier délégué:*  
M. P. BRAUN,

Conseiller d'Etat.

*Délégué:*  
M. J. P. MERTZ,

Directeur de la Fédération des Associations  
agricoles.

GREECE.

*Delegate:*  
M. R. RAPHAËL,

Permanent Delegate of the Greek Government  
accredited to the League of Nations.

HUNGARY.

*First Delegate:*  
His Excellency Baron VILLANI,

Hungarian Minister at Paris.

*Delegates:*  
M. Etienne DE WINCHKLER,  
M. FODOR,  
M. Simon ENYEDI,

Counsellor of Section at the Ministry of Foreign  
Affairs, Sub-Director of the Economic Section  
at the Ministry of Foreign Affairs.  
Director of the Institute of Agricultural Expor-  
tation.  
Secretary of the Stock Exchange, Budapest.

IRISH FREE STATE.

*Delegate:*  
Mr. F. J. CAWLEY,

First Secretary of the Irish Legation at Paris.

ITALY.

*First Delegate:*  
His Excellency M. G. DE MICHELIS,

Ambassador, Senator.

*Delegates:*  
His Excellency M. CIANCARELLI,  
M. I. BROCCHI,  
M. E. ANZILOTTI,  
M. G. C. STUCKY,  
M. A. BERIO,

Minister Plenipotentiary.  
Counsellor of State.  
Director-General of Industrial Production and  
Trade at the Ministry of Corporations.  
President of the National Fascist Millers'  
Federation.  
First Secretary of Legation at Paris.

LATVIA.

*Delegate:*  
M. Emil WILLGRABS,

Counsellor at the Latvian Legation at Paris.

LITHUANIA.

*Delegate:*  
His Excellency M. P. KLIMAS,

Lithuanian Minister at Paris.

LUXEMBURG.

*First Delegate:*  
M. P. BRAUN,

Counsellor of State.

*Delegate:*  
M. J. P. MERTZ,

Director of the Federation of Agricultural Asso-  
ciations.

PAYS-BAS.

*Premier délégué :*  
Le docteur VAN RIJN,

Conseiller agricole néerlandais à Rome.

*Délégué :*  
Le docteur SEVENSTER,

Conseiller agricole néerlandais à Paris.

POLOGNE.

*Premier délégué :*  
M. SOKOLOWSKI,

Directeur au Ministère du Commerce et de l'Industrie.

*Délégués :*  
M. Adam ROSE,  
M. A. ROMAN,

Directeur au Ministère de l'Agriculture.  
Conseiller économique au Ministère des Affaires étrangères.

ROUMANIE.

*Premier délégué :*  
M. Ernest ENE,

Secrétaire général du Ministère de l'Agriculture et des Domaines.

*Délégués :*  
M. César POPESCO,  
M. E. MARIAN,  
M. A. I. POPESCO,

Directeur de l'Industrie au Ministère de l'Industrie et du Commerce.  
Directeur de l'Institut d'exportation.  
Attaché commercial auprès de la Légation de Roumanie à Paris.

SUÈDE.

*Délégué :*  
M. O. W. WINTHER,

Conseiller à la Légation de Suède à Paris.

SUISSE.

*Délégué :*  
M. W. LAESSER,

Directeur de l'Administration fédérale des blés.

TCHÉCOSLOVAQUIE.

*Premier délégué :*  
Le docteur Antonin PROKES,

Conseiller supérieur au Ministère de l'Agriculture.

*Délégué :*  
Le docteur Ladislav FEIERABEND,

Directeur général de la « Kooperativa ».

YOUGOSLAVIE.

*Premier délégué :*  
M. M. PILJA,

Chef de Division au Ministère du Commerce et de l'Industrie.

*Délégués :*  
M. L. GOTLIEB,  
M. le professeur M. TODOROVIC,

Directeur de la Société privilégiée pour l'exportation des produits agricoles.  
Professeur à l'Université de Belgrade.

THE NETHERLANDS.

*First Delegate:*  
Dr. VAN RIJN, Netherlands Counsellor for Agriculture at Rome.  
*Delegate:*  
Dr. SEVENSTER, Netherlands Counsellor for Agriculture at Paris.

POLAND.

*First Delegate:*  
M. SOKOLOWSKI, Director at the Ministry of Commerce and Industry.  
*Delegates:*  
M. Adam ROSE, Director at the Ministry of Agriculture.  
M. A. ROMAN, Economic Counsellor at the Ministry of Foreign Affairs.

ROUMANIA.

*First Delegate:*  
M. Ernest ENE, Secretary-General of the Ministry of Agriculture and Domains.  
*Delegates:*  
M. César POPESCO, Director of Industry at the Ministry of Industry and Commerce.  
M. E. MARIAN, Director of the Export Institute.  
M. A. I. POPESCO, Commercial Attaché at the Roumanian Legation at Paris.

SWEDEN.

*Delegate:*  
M. O. W. WINTHER, Counsellor at the Swedish Legation at Paris.

SWITZERLAND.

*Delegate:*  
M. W. LAESSER, Director of the Federal Wheat Administration.

CZECHOSLOVAKIA.

*First Delegate:*  
Dr. Antonin PROKES, Higher Counsellor at the Ministry of Agriculture.  
*Delegate:*  
Dr. Ladislav FEIERABEND, Director-General of the *Kooperativa*.

YUGOSLAVIA.

*First Delegate:*  
M. M. PILJA, Chief of Division at the Ministry of Commerce and Industry.  
*Delegates:*  
M. L. GOTLIEB, Director of the Privileged Company for the Export of Agricultural Products.  
Professor TODORVIĆ, Professor at the University of Belgrade.

Les délégués suivants assistaient à cette réunion à titre d'observateurs:

ESPAGNE.

M. José-Maria AGUINAGA,

Premier Secrétaire de l'Ambassade d'Espagne à Paris.

FINLANDE.

M. M. NORDBERG,

Consul général, Attaché commercial de Finlande à Paris.

L'Institut international d'Agriculture de Rome s'était également fait représenter. Ces délégations se sont en conséquence réunies à Paris, au Ministère des Affaires étrangères, les 23, 24 et 25 février 1931.

La Conférence a confié la présidence à M. André FRANÇOIS-PONCET (France), Sous-Secrétaire d'Etat à la Présidence du Conseil et à l'Economie nationale.

La Conférence a adopté les résolutions ci-après:

« 1. La Conférence, réunie à Paris le 23 février, sur l'invitation de la Commission d'étude pour l'Union européenne,

« Après avoir recueilli, confronté et précisé les chiffres relatifs aux excédents de blé, disponibles jusqu'à la prochaine récolte dans les pays de l'Europe centrale et orientale,

« A constaté que ces excédents ne représentaient qu'une faible part des besoins des pays européens importateurs de blé.

« Elle a enregistré, aussi bien chez les représentants des nations normalement acheteuses de blés étrangers que chez ceux des nations qui n'en importent pas ou qui n'ont pas l'habitude d'importer des blés en provenance des pays considérés, la volonté de participer dans toute la mesure possible à l'achat des stocks reconnus disponibles dans les pays en question ou dans certains d'entre eux.

« La Conférence a acquis, de la sorte, la conviction que dans un délai rapproché, les dispositions qui se sont affirmées au cours de ces réunions permettront le placement et l'écoulement des quantités de blé excédentaires.

« Quant au détail des opérations de nature commerciale qui devront intervenir et aux stipulations des contrats qui lieront les acheteurs aux vendeurs et préciseront les conditions de leurs transactions, la Conférence a reconnu qu'étant donné la grande diversité des cas, il lui était malaisé de les fixer elle-même de manière identique pour tous, mais ses membres, prêts à réserver une certaine proportion dans leurs importations de blés étrangers aux blés originaires des pays considérés, s'engagent à provoquer le plus tôt possible les contacts nécessaires pour réaliser ces transactions et répondre ainsi pleinement à la confiance que la Commission d'étude pour l'Union européenne a mise en eux. Les résultats de leurs efforts seront communiqués à la Commission d'étude pour l'Union européenne lors de ses prochaines réunions.

« 2. La Conférence a étudié dans le même esprit les chiffres relatifs aux excédents de maïs et d'orge.

« Elle a constaté que ces excédents, concentrés en un nombre plus limité de pays, sont inférieurs, dans leur ensemble, aux besoins globaux de l'importation européenne pour l'année courante.

« Elle a constaté, d'autre part, que les pays importateurs sont également disposés, comme pour le blé, à réserver une part de leurs importations de maïs et d'orge étrangers au maïs et à l'orge originaire des pays en cause. Elle a noté avec satisfaction que des achats importants sont dès maintenant réalisés ou en cours, et que certains pays ont pris des mesures spéciales, dont l'application libérale facilitera l'écoulement des stocks de certains pays exportateurs.

« La Conférence est d'avis qu'une action semblable à celle qu'envisage la résolution relative au blé devrait être mise en œuvre par les pays européens qui entrent en ligne de compte pour l'importation du maïs et de l'orge.

« 3. La Conférence a réservé l'examen de la question du seigle et de l'avoine. »

The following delegates were present at this meeting as observers:

SPAIN.

M. José-Maria AGUINAGA, First Secretary of the Spanish Embassy at Paris.

FINLAND.

M. M. NORDBERG, Consul-General, Finnish Commercial Attaché at Paris.

The International Institute of Agriculture at Rome was also represented.

These delegations therefore met at Paris at the Ministry for Foreign Affairs on February 23rd, 24th and 25th, 1931.

The Conference appointed as its President M. André FRANÇOIS-PONCET (France), Under-Secretary of State to the Presidency of the Council and for National Economy.

The Conference adopted the following resolutions:

" 1. The Conference, which met at Paris on February 23rd, on the invitation of the Commission of Enquiry for European Union:

" Having collected, compared and exactly determined the figures relating to the surpluses of wheat available until the next harvest in the countries of Central and Eastern Europe;

" Has noted that those surpluses represent only a small part of the needs of the European countries which import wheat.

" It has further noted that both the representatives of the countries which normally buy foreign wheat and those of the countries which do not import foreign wheat or do not usually import wheat from the countries under consideration are willing to participate to the utmost possible extent in the purchase of the stocks of wheat recognised to be available in those countries or in some of them.

" It is therefore convinced that the attitude revealed in the course of its meetings will, in the near future, enable the surplus quantities of wheat to be marketed and disposed of.

" As regards the details of the commercial operations which will have to take place and the terms of the contracts which will bind the purchasers to the vendors and will define the conditions governing their transactions, the Conference recognises that, in view of the great diversity of cases, it would be difficult for the Conference itself to prescribe an identical solution for all; but its members, being prepared to reserve a certain proportion of their imports of foreign wheat for wheat originating in the countries under consideration, undertake to initiate without delay the negotiations necessary to enable those transactions to be carried out, and thus to justify to the full the confidence which the Commission of Enquiry for European Union has placed in them. The results of their efforts will be communicated to the Commission of Enquiry for European Union at its forthcoming sessions."

" 2. The Conference has studied in the same spirit the figures relating to the surpluses of maize and barley.

" It has noted that these surpluses, which are concentrated in a smaller number of countries, are less as a whole than the aggregate quantities of European imports needed for the current year.

" It has further noted that the importing countries are also prepared, as in the case of wheat, to reserve part of their imports of foreign maize and barley for maize and barley originating in the countries concerned. It has noted with satisfaction that large purchases have already been or are now being made, and that certain countries have taken special measures which, if applied in a liberal spirit, would facilitate the disposal of the stocks of certain exporting countries.

" The Conference is of opinion that action similar to that contemplated in the resolution relating to wheat should be taken by the European countries which are concerned in the importation of maize and barley."

" 3. The Conference reserved the examination of the question of rye and oats."



EN FOI DE QUOI les délégués ont signé le présent Acte.

IN FAITH WHEREOF, the delegates have signed the present Act.

FAIT à Paris, le vingt-cinq février mil neuf cent trente et un, en simple expédition qui sera déposée dans les archives du Secrétariat de la Société des Nations; copie conforme en sera transmise à tous les Membres de la Société des Nations, ainsi qu'aux Etats non membres ayant participé à la Conférence.

DONE at Paris, the twenty-fifth day of February, one thousand nine hundred and thirty-one, in a single copy, which shall be deposited in the archives of the Secretariat of the League of Nations, and of which authenticated copies shall be delivered to all Members of the League of Nations, and to the States non-members which took part in the Conference.

ALLEMAGNE

D<sup>r</sup> A. HERMES

GERMANY

AUTRICHE

SCHÜLLER

AUSTRIA

BELGIQUE

Sous le bénéfice des déclarations verbales faites à la séance du 24 février, relatives à la liberté du commerce des céréales en Belgique<sup>1</sup>.

BELGIUM

DE ROMRÉE.

J. VAN DER VAEREN

Albert HENRY

BULGARIE

B. MORFOFF

BULGARIA

ESTONIE

C. R. PUSTA

ESTONIA

FINLANDE

Maunor NORDBERG.

FINLAND

FRANCE

André FRANÇOIS-PONCET

M. LESAGE

Jules GAUTIER

FRANCE

GRÈCE

R. RAPHAËL

GREECE

HONGRIE

Ft. VILLANI

E. WINCKLER

HUNGARY

ITALIE

Giuseppe DE MICHELIS

B. J. CIANCARELLI.

Eugenio ANZILOTTI.

Albert BERIO

ITALY

<sup>1</sup> Translation. — Subject to the verbal declarations made at the meeting of February 24th, regarding freedom of trade in cereals in Belgium.

LETTONIE	E. WILLGRABS	LATVIA
LITHUANIE	P. KLIMAS	LITHUANIA
POLOGNE	M. SOKOLOWSKI Ant. ROMAN	POLAND
ROUMANIE	D <sup>r</sup> Ernest ENÉ César POPESCO E. MARIAN	ROUMANIA
SUISSE	LAESSER	SWITZERLAND
TCHÉCOSLOVAQUIE	F. Antonin PROKES FEIERABEND Ladislav	CZECHOSLOVAKIA
YUGOSLAVIE	M. PILJA	YUGOSLAVIA

*Series of Publications*: 1931.VII.5.

*Official No.*: C.296.M.138.1931.VII.  
[C.E.U.E. 25.]

ANNEX 12 a.

DISPOSAL OF 1930 CEREAL STOCKS.

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

London, April 27th, 1931.

With reference to the Final Act adopted by the Conference of representatives of the grain-exporting countries of Central and Eastern Europe and of the European importing countries which met at Paris from February 23rd to February 25th last<sup>1</sup>, under the auspices of the Commission of Enquiry for European Union, I have the honour to inform you, on instructions from His Majesty's Principal Secretary of State for Foreign Affairs, that, although His Majesty's Government in the United Kingdom fully sympathise with the States bordering on the Danube in their present difficulties, they regret that they were unable to associate themselves with the declarations embodied in the resolutions contained in the Final Act of the Conference in view of the difficult situation in certain overseas countries, notably in Canada, Australia and India, on which the United Kingdom of Great Britain and Northern Ireland ordinarily relies for its supplies of cereals.

I shall be grateful if you will be so good as to bring this decision to the knowledge of the other Governments which took part in the Conference.

<sup>1</sup> See *Official Journal*, May 1931, page 766.

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

[*Translation.*]

Berne, May 1st, 1931.

Both internal and external trade in cereals and in the products manufactured from cereals are free in the Czechoslovak Republic. Under this legal system, the trend of events has been such that the Czechoslovak Republic can cover the greater part of its requirements in the matter of cereals and cereal products (especially flour)—for which it is not self-supporting—by imports from the agricultural States of Central and Eastern Europe. Taking the average for the four years 1926 to 1929, the Czechoslovak Republic covered its imports in this way—by means of imports from those States—as follows: wheat, 77 per cent; wheaten flour, 43 per cent; and maize flour, 68 per cent.

The Czechoslovak Government does not doubt that, even in the future, the Czechoslovak external trade in the commodities in question will develop in a manner favourable to the aforesaid Central and Eastern European States.

*Series of Publications:* 1931.II.B.5.

*Official No.:* C.192.M.75.1931.II.B.  
[C.E.U.E./E.C.F./2(2).]

ANNEX 13.

WORK OF THE COMMITTEE TO STUDY THE PROBLEM OF THE EXPORT OF FUTURE HARVEST SURPLUSES OF CEREALS.

REPORT ON THE WORK OF THE FIRST SESSION OF THE COMMITTEE.

(*Paris, February 26th to 28th, 1931.*)

The following members were present:

*Chairman:* His Excellency M. FRANÇOIS-PONCET, Under-Secretary of State, Prime Minister's Department and Department of National Economic Affairs (France).

- Austria:* Dr. Richard SCHÜLLER, Director of the Economic Section, Federal Chancellery of Foreign Affairs.  
M. Henri SCHMID, Counsellor of the Austrian Legation at Paris.
- Belgium:* M. M. SUTENS, Director at the Ministry for Foreign Affairs.  
M. VAN DER VAEREN, Director-General at the Ministry of Agriculture.  
M. Albert HENRY, Director-General at the Ministry of Agriculture.
- Czechoslovakia:* Dr. Antonin PROKES, Higher Counsellor at the Ministry of Agriculture.  
Dr. Ladislav FEIERABEND, Director-General of the "Kooperativa" (Union of Agricultural Co-operative Societies).
- Estonia:* H. E. M. C. R. PUSTA, Estonian Minister at Paris.
- France:* H. E. M. Aristide BRIAND, Minister for Foreign Affairs.  
M. FRANÇOIS-PONCET, Under-Secretary of State, Prime Minister's Department and Department of National Economic Affairs.  
M. Jules GAUTIER, President of Section at the "Conseil d'Etat", Agricultural Expert to the League of Nations.  
M. LESAGE, Director at the Ministry of Agriculture.  
M. P. ELBEL, Director of Commercial Agreement at the Ministry of Commerce.  
M. ESCALLIER, Director of the "Mouvement général des Fonds", Ministry of Finance.  
M. MASSIGLI, Minister Plenipotentiary, Head of the French League of Nations Department, Ministry of Foreign Affairs.

- France (continued):* M. COULONDRE, Minister Plenipotentiary, Sub-Director of Commercial Affairs, Ministry of Foreign Affairs.  
M. P. ARNAL, French Consul.  
M. J. MARTIN, "Chef adjoint du Cabinet" of the Minister of Finance.
- Germany:* Dr. ERNST, Director at the Ministry of Commerce.  
M. O. SARNOW, Counsellor at the Reich Ministry of Finance.  
M. WEBER, Counsellor at the Ministry of Agriculture.
- Great Britain:* Lord TYRRELL, British Ambassador at Paris.  
Sir Sydney CHAPMAN, K.C.B., C.B.E., Chief Economic Adviser to His Britannic Majesty's Government.
- Italy:* H. E. M. G. DE MICHELIS, Ambassador, Senator.  
H. E. M. CIANCARELLI, Minister Plenipotentiary.  
M. I. BROCCHI, Counsellor of State.  
M. E. ANZILOTTI, Director-General of Industrial Production and Trade at the Ministry of Corporations.  
M. G. C. STUCKY, President of the National Fascist Millers' Federation.  
M. A. BERIO, First Secretary of Legation.
- Norway:* H. E. M. E. COLBAN, Norwegian Minister at Paris.
- Switzerland:* M. W. STUCKI, Director of the Commercial Division at the Federal Department of Agriculture and Industry.  
M. W. LAESSER, Director of the Federal Wheat Administration.
- Yugoslavia:* H. E. M. Constantin FOTITCH, Minister Plenipotentiary and Secretary-General of the Royal Ministry for Foreign Affairs.  
M. Milan TODOROVIĆ, Professor at the University of Belgrade.  
M. M. PILJA, Chief of Division at the Ministry of Commerce and Industry.  
M. L. GOTLIEB, Director of the Privileged Company for the Export of Agricultural Products.

\* \* \*

The Committee, the appointment of which was requested by the Commission of Enquiry for European Union at its discussion on January 21st, 1931, met at Paris on February 26th, 27th and 28th in order to examine the difficulties which may constantly arise in the future from the disposal of surplus cereals harvested in Europe and to suggest any measures calculated to remedy them, "including all Customs arrangements".

I. The Committee recognised in the first place that the disposal of surplus European cereals is not merely a European but a world problem, and that a wholly satisfactory solution could be reached only by an understanding between all the parts of the world concerned.

As compared with the pre-war figures, the total cereal-growing areas of Europe have not increased, although the yield is slightly greater. There is no over-production in Europe; there is over-production in the world as a whole, and, in view of the circumstances in which that over-production has taken place and the re-entry of Russian cereals into the market, it is clear that the resultant crisis would not settle itself until after a long lapse of time and at the cost of great suffering.

The Committee therefore considers that it is in the interest of producers in every continent to act together with a view to checking the spread of the crisis.

If, in response to the wish expressed by the Commission of Enquiry for European Union, all the overseas countries concerned agree to take part in the Conference which has been organised by the International Institute of Agriculture and which is to be held at Rome from March 26th, the latter will provide an early opportunity for the exchange of views which is essential.

II. With the above considerations in mind, the Committee entered upon the study of the proposals made to improve the European situation, and in the first place examined the advantages in Customs matters that the exporting countries of Central and Eastern Europe, which attach the greatest importance to them, asked certain European countries to grant.

On this subject the Committee took into consideration the work already accomplished by a Committee of the Conference for Concerted Economic Action held at Geneva in November 1930, the findings of that Committee as a result of its work being still valid. It also learned that practical attempts on the lines in question were shortly to be made by several European countries, which stated that they intended to carry them out with due reference to the definitions and the safeguards laid down in the Annex to the Final Act of the November Conference.

III. The Committee then turned its attention to other measures which seemed to it calculated to facilitate the regular disposal of the surplus cereals in question by improving the conditions of sale. In particular, it thinks that conditions and costs of transport which limit the area in

which these cereals can be disposed of will have to be examined by the national administrations of the transit and import countries.

These measures—the effect of which, though no doubt limited, would nevertheless be far from negligible—might with advantage be supplemented by banking measures relating to sales and purchases of cereals and methods of payment. Thus it might be possible to contemplate for the discounting of bills a better use of markets in which the rate of interest is low, the warranting of goods and possibly the introduction of the system of negotiable transport documents.

The Committee was also glad to note the progress recently made by exporting countries in the organisation of their exports of cereals. It earnestly hopes that these efforts will be continued.

As regards the purchasing countries, it also hopes that statistics will be collected more rapidly and in greater detail, in order to enable available stocks and requirements to be estimated at all times with greater certainty. Closer collaboration between the public services and private trade would also facilitate and render more fruitful negotiations with the organisations of selling countries.

The Committee desires to point out that several purchasers have expressed the hope that certain kinds of Danubian wheat will be better adapted to the preferences of the milling trade in their respective countries. They stated that action on these lines would undoubtedly lead to increased business and higher prices.

IV. The Committee was most interested to learn that active progress was being made with the preparatory work for the creation of an international institute for agricultural credit. It awaits with confidence the continuation and completion of that work.

V. The Committee desires to recommend that, agricultural phenomena being by their very nature liable to change, the problems arising out of the production of, and trade in, cereals in Europe may, if found necessary and at the most suitable time, be made the subject of further consultations under the auspices of the Commission of Enquiry for European Union.

With reference to the considerations set forth in the first part of the present report, the Committee thinks it might be desirable for it to be in a position to submit a supplementary report after the Rome Conference.

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*Series of Publications:* 1931.VII.3.

*Official No.:* C.275.M.127.1931.VII.  
[C.E.U.E.23.]

#### ANNEX 14.

### UNEMPLOYMENT.

#### PROPOSALS OF THE INTERNATIONAL LABOUR ORGANISATION.

##### *Note by the Secretary-General:*

The Secretary-General has the honour to submit to the members of the Commission the following documents:

- (1) Proposals of the International Labour Office for practical action in connection with unemployment in Europe;
- (2) Extract from the draft Minutes of the eighth sitting, on April 22nd, 1931, of the fifty-second session of the Governing Body of the International Labour Office;
- (3) Report of the Unemployment Committee, amended text adopted by the Governing Body at its fifty-first session, January 1931.

As an introduction to these documents will be found a summary prepared by the International Labour Office, of the memorandum referred to under No. 1. As will be seen from the Minutes (*vide* No. 2), the Governing Body of the International Labour Office instructed the Director to transmit the memorandum on unemployment to the Commission of Enquiry for European Union, together with the Minutes of the discussions which had taken place in the Governing Body, the proposals having been made on the Director's responsibility.

The Minutes are communicated in their draft form, as they still have to be approved by the Governing Body at its next session.

These documents are submitted to the Commission in accordance with Resolution No. VI, passed in January 1931 by the Commission of Enquiry for European Union,<sup>1</sup> requesting the International Labour Office to acquaint it with the first results of the work undertaken on the question of unemployment.

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#### Summary of the Proposals of the International Labour Office for Practical Action in Connection with Unemployment in Europe.

At its fifty-second session (April 18th to 22nd, 1931), M. Albert Thomas, Director of the International Labour Office, put before the Governing Body of the International Labour Office a memorandum, for submission to the Commission of Enquiry for European Union; with a view to practical action in connection with unemployment in Europe.

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<sup>1</sup> See *Official Journal*, February 1931, pages 209 and 473.

This document brings out the specifically European aspects of world unemployment. It recalls the conditions peculiar to Europe as regards the causes of the crisis and the means employed to attenuate its effects, more particularly by means of unemployment insurance. It lays special stress, however, on two points: (1) the organisation of the finding of employment for workers; (2) the execution of extensive public works.

1. *European Labour Exchange.* — The Convention on unemployment, adopted at Washington in 1919 by the International Labour Conference, laid the basis for the sound organisation of the finding of employment for workers. Of the twenty-four States which ratified that Convention, twenty-one are in Europe. The measures taken by them in the matter have certainly done something to make the crisis more bearable and even to attenuate it. It may be asked, however, whether the development of public employment exchanges in the various European countries is sufficient. The Convention provided that the operations of the various national systems would be "co-ordinated by the International Labour Office in agreement with the countries concerned". This provision has remained a dead letter so far. The time has probably come to attempt to apply it in the case of the European countries.

Either the International Labour Office itself or some public institution of a non-commercial nature, established in connection with the Office, could act as a sort of clearing-house for the regular review of the demand and supply of labour in all occupations. What has been done as regards the buying and selling of certain materials required by industry might be attempted in the case of the organisation of the employment of workers, in order to give them all work and the means of subsistence under acceptable conditions. Such an institution would be a sort of European labour exchange. It would present a moral as well as a material advantage; it would give European peoples the habit of considering questions of employment, not merely from the national point of view, but from an international point of view.

Recently, certain States have endeavoured to arrange exchanges of young workers, chiefly printers and hotel employees, with a view to enabling them to improve their knowledge of their trade and of foreign languages. The International Labour Office has acted as an intermediary in these exchanges. It has, moreover, with the assistance of various countries, done valuable work in the finding of employment for Russian refugees; in spite of particularly unfavourable conditions, employment was found for 35,000 of the refugees.

The ground is thus not entirely new. If so desired, a European Labour Exchange could be rapidly set up and get to work within the actual framework of the many laws designed to protect labour markets against invasion by foreign labour.

2. *Programme of Extensive Public Works in Europe.* — In a recently published study, the International Labour Office has pointed out the value for the various countries of a national public works policy laid down in advance and capable of alleviating, if not preventing, unemployment, by holding over until a crisis shows signs of appearing, the execution of works not absolutely required by a specific date.

Besides pointing out the importance of national public works as a partial remedy for the crisis, the Unemployment Committee, which met in January last, drew attention to "the possibility of Governments coming to an agreement, through the appropriate organs of the League of Nations, with a view to joint execution of extensive public works of an international character".

Such work is of direct use to the country in which it is carried out, and it is of indirect, but not less vital, importance to other countries, through the substantial improvements which are provided for all concerned and through the orders of material or equipment and the demand for labour to which it gives rise. Such work would also present a psychological and moral advantage; it would interest all the countries of Europe in objects of a European character, and would thus develop that spirit of collaboration, that "European spirit", which it is the object of the Commission of Enquiry for European Union to create.

Without attempting, at the present stage, to draw up a scheme, the International Labour Office directs attention to some ideas which have already been put forward in this connection.

One such idea is for a great international road system to meet the requirements of a constantly increasing motor traffic. Special routes for motor traffic are everywhere being made in the most advanced countries of Europe. They are, however, not connected with one another. Such a road system should have main arteries, both longitudinal and transversal. There might, for example, be one main artery passing through Paris, Vienna and Athens, another through Paris, Berlin, Warsaw and Moscow, a transversal trans-alpine artery and another from the Balkans to the Baltic. This would represent the nervous system of the united Europe which it is desired to create.

A system of navigable waterways is also needed. Certain regional systems already exist and only require to be co-ordinated. The linking up of the Rhine and the Rhone and of the North German system with that of the Danube would be enterprises which would affect international waterways or waterways which pass through various countries. They would be of interest to a large number of commercial Powers of Western, Northern and Central Europe.

The Director of the International Labour Office also refers to the problem of the international distribution of electrical power, already mentioned by the Belgian Government in a memorandum to the Commission of Enquiry for European Union.

He refers, lastly, to a scheme with which the Office has long been specially preoccupied—the uniform and concerted substitution on all railways on the continent of Europe of a system of automatic coupling for the present system of screw coupling which still causes many fatal accidents every year. According to the calculations of experts, this undertaking, which is so desirable on humanitarian, economic and even technical grounds, would provide work for more than 600,000 men for five years.



The Director of the International Labour Office emphasises the fact that, in the considerations set forth, he has systematically confined himself to what was strictly within the competence of the International Labour Organisation and to those questions within the competence of the Organisation which could be studied by the Commission of Enquiry for European Union with a view to action in the near future. He fully realises that other economic or financial action may produce a greater effect in reducing unemployment, but notes the constantly recurring difficulties encountered in the negotiations which have been carried on for some years past in this connection. From the point of view of the unemployed, immediate results are required; even if those results are limited, it does not matter so much provided they are tangible. Accordingly, the Director of the International Labour Office has deliberately left out of account in his memorandum more far-reaching and, possibly, in the long run, more effective proposals, such as problems of wages and hours of work, which, in their connection with unemployment, have given rise to controversy between the employers' and workers' representatives on the Governing Body. The study of these wide problems will be systematically continued as part of the normal work of the International Labour Organisation. In the proposals for submission to the Commission of Enquiry for European Union, the Director of the Office has confined himself to a few limited and definite suggestions concerned more especially with Europe.

In order that they may be studied and set in motion as rapidly as possible, he proposes:

(1) That a sub-committee of three members of the Commission of Enquiry for European Union should discuss with three members of the Governing Body of the International Labour Office, and with the assistance of experts—*i.e.*, the heads of the competent administrations—the possibility of the immediate development of the international placing of workers and the migration of workers in Europe;

(2) That another sub-committee, on which the Governing Body of the International Labour Office might also be represented (for labour questions), should draw up a scheme of European public works to be carried out in the near future.

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**Proposals of the International Labour Office for Practical Action in Connection with Unemployment in Europe.**

*(For submission to the Commission of Enquiry for European Union, May 1931.)*

The Commission of Enquiry for European Union adopted, in January 1931, the following resolution No. VI:

“ The Commission of Enquiry for European Union,

“ Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing;

“ Requests the Secretariat of the League to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly.”

A few days later the Governing Body, on the proposal of M. Sokal, Polish Government representative, instructed the Director to submit to it “ a memorandum on the possibility of laying before the Commission of Enquiry for European Union, which will hold its meeting in May, proposals for practical action in connection with unemployment ”.

The Director submits the following observations and proposals to the Commission of Enquiry:

I.

In order to ensure a reasonable division of work between the various bodies of the League, it is necessary at the outset to define exactly the competence of the International Labour Office and the part which it may take in any work which may be undertaken by the Commission of Enquiry for European Union with a view to reducing and, if possible, removing unemployment.

Unemployment is a social phenomenon distinct in itself from the economic depression. It is possible to imagine an organisation of employment such that economic depression might occur without the workers being inevitably thrown out of employment. Unemployment also exists during periods of economic prosperity.

The most serious unemployment, however, is usually the result of economic depression. It has even been said—wrongly, as a matter of fact—that it is only a symptom of depression. It is certain that, if it were possible to prevent cyclical and accidental economic disturbances of a more or less lasting nature, the chief causes of unemployment would be removed.

In September 1930, the League of Nations decided to make an enquiry into the development and causes of the present depression, and expressed the desire to obtain for this purpose the collaboration of the International Labour Office. In January, the Governing Body adopted a resolution which draws attention to certain economic factors which produce unemployment (excessive production of certain agricultural products, maladjustment between the production of certain industrial products and the markets' power of absorption, the inelasticity in money and credit as related to the gold supply, lack of confidence causing an inadequate distribution of gold and of credit, the fall in the purchasing power of certain countries with a silver currency, too high cost of production in certain countries, disturbances in international commerce, maladjustment of movements of population to the resources of the world, extra-rapid development of labour-saving machinery and of certain methods of rationalisation). In its studies, the Office will endeavour to appreciate the importance of each of these factors; but, as regards both Europe and the world in general, it is for the Economic Organisation of the League to study the remedies for the depression and to make the necessary proposals.

At the same time, as was emphasised by the Governing Body in its January resolution, the International Labour Office has a specific part which it can and should play, under its constitution, in order to protect the wage-earners against the evils of unemployment and, if possible, to prevent the occurrence of unemployment even during periods of depression. Through the promotion of employment exchanges, unemployment insurance, a policy of public works and an appropriate international settlement of the problems of wages and hours of work, the Office can and must endeavour to promote an organisation of employment likely to alleviate the suffering caused by unemployment, and even to prevent its recurrence.

The question thus arises whether the International Labour Office is able, in its own strictly defined sphere, to submit definite proposals to the Commission of Enquiry for European Union.

At this stage it is necessary once more to recall the general principles emphasised in the first note submitted by the Office to the Commission of Enquiry. The work of the International Labour Organisation is of a universal nature. By definition the Organisation, which was set up to protect all wage-earners, is concerned only with universal problems for which universal solutions may be found. The Conventions and recommendations adopted by the Conference are of this universal nature. The Conference, while it takes account of special circumstances, adopts rules which are to be of universal application. This must be specially borne in mind in the present case, since the economic depression is worldwide in its nature, its causes go beyond the frontiers of individual States, and the reactions of one country on another, and even of one continent on another, are appreciable and in some cases self-evident. The work on which the International Labour Office has been engaged since its establishment in connection with unemployment has always been of this universal nature.

The Organisation cannot, however, leave out of account certain regional aspects of labour problems. The "Labour" part of the Treaties of Peace itself, and some of the Conventions adopted by the Conference, express or apply the principle that the solution of certain problems should be adapted to the nature of certain regions and to the circumstances of their social development. It may therefore be asked why the Organisation should not do for Europe what it has done for certain tropical countries. The unemployment crisis, while being worldwide, presents, nevertheless, certain aspects which are peculiar to Europe.

Some of the general causes of unemployment which are mentioned in the resolution of the Governing Body, and with regard to which all the experts are in agreement, have exercised special influence in Europe.

The agricultural depression is exceptionally serious in the countries bordering on the Danube. The over-production of certain raw materials and of industrial equipment, especially as regards coal mines and certain of the engineering industries, merits consideration in its relation to Europe. The lack of confidence which leads to imperfect circulation of capital has its chief source in Europe. Excessive cost of production is also characteristic of the European situation, at least as regards the western and Mediterranean countries in which manufacturing industries are highly developed, but which depend for their raw materials on other parts of the world. It is the old industrial countries of Europe which have particularly suffered in external trade from the establishment or development of new centres of production in America, the Far East and even in the southern hemisphere, and from the artificial barriers to international trade and the difficulties created in such trade by the problem of political debts. As regards the adjustment of movements of population to the resources of the world, it is in Europe more than anywhere else that there is possibly a surplus of workers as compared with the available employment. Finally, the development of labour-saving machinery and of rationalisation raises problems of European organisation.

As regards all these possible causes of economic disturbance and of unemployment, the Governing Body recognised their universal nature as well as their European nature. But there are still others which are peculiar to Europe. In most European countries during the war there sprang up various artificial industries, which have since been maintained as a result of national policies of protection. The existence of such industries under ordinary conditions is not justified and compromises the economic equilibrium of the Continent by reducing the normal exports of the countries in which these industries have always been carried on because of favourable physical and economic conditions. Thus Europe has become its own competitor on its own home market. The unemployment at present afflicting the workers in Europe would appear to be attributable, to some extent at least, to a lack of organisation in Europe.

The Economic Organisation of the League will no doubt have occasion to suggest to the Commission of Enquiry the steps which might appropriately be taken in Europe. Similarly, in

the special sphere of the Office, in accordance with and in execution of the principles laid down in the Conventions and recommendations, there is certain action which might appropriately be taken to combat the unemployment at present existing in Europe and which, in the opinion of the Office, should be brought to the notice of the Commission of Enquiry.

## II.

*Unemployment Insurance.* — The establishment of unemployment insurance was the subject of one of the first recommendations of the International Labour Organisation. The object of the insurance is to compensate the unemployed to some extent for the loss of wages. Nevertheless, in the opinion even of those who, like the Director, do not consider that insurance reacts unfavourably on the re-employment of labour in spheres of activity capable of development either within the country or abroad, insurance does not cure a country of unemployment. It simply provides a measure of assistance for the unemployed.

That, however, is in itself an appreciable result. The reserves accumulated by insurance during periods of activity and prosperity maintain during periods of depression a certain purchasing power amongst those who no longer find remunerative employment. They also maintain the *moral* of those concerned—a by no means negligible advantage. In a country in which unemployment exists, they ensure to industry and to society a certain equilibrium and a certain power of resistance which enables the country better to withstand the depression.

This was brought out in the recommendation adopted by the Washington Convention in 1919, to the effect that "each Member of the International Labour Organisation establish an effective system of unemployment insurance either through a Government system or through a system of Government subventions to associations whose rules provide for the payment of benefits to their unemployed members".

Up to the present, unemployment insurance has developed almost solely in Europe. Reference to the tables recently published<sup>1</sup> by the International Labour Office will show that systems of compulsory insurance against unemployment are already in existence in nine European countries (Austria, Bulgaria, Germany, Great Britain, Ireland, Italy, Poland, Switzerland (nine cantons), U.S.S.R.) covering more than 46 million workers, and that subsidised systems of optional insurance are in operation in eight countries (Belgium, Czechoslovakia, Denmark, Finland, France, the Netherlands, Norway, Switzerland (fourteen cantons)) covering 2,800,000 workers. This represents a considerable progress if it be remembered that, in 1919, the number of insured workers did not exceed 5 millions, the majority of whom—3,700,000—were in Great Britain, which was the only country in which at that time compulsory insurance existed, and even then it applied to certain industries only.

Much still remains to be done, however, in Europe in order to extend compulsory insurance to all countries of the Continent, and thus to increase the possibilities of economic co-operation on a footing of equality by removing the differences in the standard of living of the workers in the various countries.

In order to expedite progress on these lines, not, indeed, in Europe only, but throughout the world, the Governing Body of the Office will no doubt decide to submit at an early date to the Conference, as already suggested by the latter, a proposal for transforming the Washington recommendation into a Convention.

*The Finding of Employment for Workers.* — It cannot, of course, be maintained that unemployment is chiefly due to maldistribution of the labour supply. As has already been seen, the principal cause is the economic depression, which is aggravated in Europe by certain disturbing elements of a permanent nature. It is, however, quite obvious that a sound organisation of the finding of employment by public exchanges, such as are recommended in the Unemployment Convention adopted by the International Labour Conference at Washington in 1919, tends to render the depression less burdensome and even to reduce it. Redistribution of labour and transfer of workers from one industry to another, adjustment of supply and demand by a sound organisation of vocational guidance, systematic preparation and diffusion of information concerning offers of employment—these are the most immediate and most tangible results obtained from the establishment of public employment exchanges. But, if appropriately organised, these exchanges can do more than this. When they see that the requests for employment are increasing, they can indicate the appropriate moment for giving effect to a policy of public works, to which reference will be made later. They can be warned by employers who are rationalising their undertakings of the moment at which the process of rationalisation produces, at least temporarily, that unemployment which is so often the price which must be paid, and they can take steps to meet the situation.

The International Labour Office will no doubt have occasion at an early date to promote further measures of general interest for all the countries of the world. In the case of Europe, it cannot be denied that that continent has already shown considerable appreciation of the assistance to be derived from the institutions recommended by the 1919 Convention, since, of the twenty-four States which have ratified the Convention, twenty-one<sup>2</sup> are in Europe, while one other European country has been authorised by its national authority to ratify, and, in the case of two others, ratification has been recommended by the Government to the national authority.

<sup>1</sup> *International Labour Review*, Vol. XXVII, No. 1, January 1931, pages 50 and following. In the case of Italy, the number of insured should be calculated at 5,000,000, instead of 2,600,000.

<sup>2</sup> Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Luxemburg, Norway, Poland, Roumania, Spain, Sweden, Switzerland, Yugoslavia. The three non-European countries are India, Japan and the Union of South Africa. Ratification has been authorised by the competent authority in the Netherlands; in Czechoslovakia and in Latvia the competent authority has been recommended to ratify.

It may be asked, however, whether this development of public employment exchanges in the various European countries is sufficient. The Washington Convention provided that "the operations of the various national systems would be co-ordinated by the International Labour Office in agreement with the countries concerned". It must be admitted that this particular provision has remained a dead letter so far. The time has probably come to attempt to apply it in the case of the European countries.

Some Governments have already shown the importance which they attach to this provision. Thus, in its last report on the enforcement of the Convention, the Polish Government expressed the desire that the International Labour Office, after consultation with the countries concerned, should make proposals in order to render uniform the methods of finding employment.

It would, however, be possible to go further. Even in times of serious unemployment, there are often industries which in certain countries are short of labour, and for the requirements of which it might be more economical, from a general European point of view, to bring trained workers from another country rather than to attempt to adapt to employment in those industries unemployed workers in the country itself who might be skilled in other work. Either the International Labour Office itself or some public institution of a non-commercial nature established in connection with the Office could act as a sort of clearing-house for the regular review of the demand and supply of labour in all occupations. What has been done as regards the buying and selling of certain materials required by industry might be attempted in the case of the organisation of the employment of workers in order to give them all work and the means of subsistence under acceptable conditions. Such an institution would be a sort of European labour exchange. If it could be established and brought into operation, the material advantage would be at once obvious. But the moral and, so to speak, psychological advantage would be at least as great. It would give to European peoples the habit, which they are still far from possessing, of considering questions of employment, not merely from the national point of view, but from an international point of view. Recently, certain States have endeavoured to arrange the exchanges of young workers, chiefly printers and hotel employees, with a view to enabling them to improve their knowledge of their trade and at the same time to acquire also a knowledge of foreign languages. In this connection, the International Labour Office has acted as an intermediary between various international associations of employers and workers interested in these exchanges. The absence of international systems of employment offices has constituted an obstacle to such exchanges, with the result that there has been created in some countries a certain amount of discontent and dissatisfaction which is not conducive to harmonious co-operation. Doubtless it would be desirable that such an employment exchange should not be merely European, but should become universal. It seems to the Office, however, that, in order to be successful, the experiment should at the outset be limited in scope and carried out on conditions offering the possibility of success. In Europe, the way has been prepared by the various ratifications of the 1919 Convention, in addition to which there is the fact that the suggested exchanges of workers would be facilitated by the relatively limited extent of European territory and the relative proximity of the two points within which the exchanges would take place. If the experiment obtains the success desired, the scope could be enlarged so as to become worldwide, but it would appear that it should first be tried in Europe. Encouragement to undertake it is to be found in the work done by the Office, with the assistance of various countries, in the finding of employment for Russian refugees. In spite of particularly unfavourable conditions, it was possible to find employment for 35,000 of the refugees.

*Migration within Europe.* — In addition to the problem of placing the individual worker in employment, which concerns particularly the skilled worker and the employer requiring his services, it is necessary to distinguish certain other mass movements of an international character which are caused by the necessity of adjusting population to the economic development of the various countries, and which lead to the establishment of definite currents of migration of a more or less regular nature. Attention used previously to be concentrated on overseas migration, which was the largest in volume, and which was long the only kind of migration with regard to which statistics were available. Closer study has shown that considerable importance must be attached also to the migration of workers from one European country to another. Such migration has, moreover, developed according as overseas migration has diminished through the necessity, at first scarcely felt but now increasingly appreciated and expressed by European nations, of adapting themselves more closely to the possibilities of their own continent.

Migration of this kind has long taken place from Belgium, Spain and Italy into France, from Italy into Switzerland, and from Poland into Germany. For some ten years past regular movements have been observed from Poland, Czechoslovakia, Austria, Hungary and Roumania into France, from Poland into Denmark, and from Austria and Czechoslovakia into Germany. There are many other movements of the same kind. All these movements could not be left unregulated or serious difficulties of all kinds would have occurred. They required to be controlled, organised and regulated, according to variations in the conditions from which they arose. A policy of bilateral international agreements has been developed for this purpose. It would appear that steps might be taken further to develop this policy.

In the first place, there might be developed amongst European countries greater exchange of information on the changing conditions of the labour market in the various occupations in the various countries, so as to furnish full and objective information to emigration countries concerning the conditions of employment and residence obtaining in the immigration countries. This the International Labour Office has already done, to the extent of the information which it possesses, in the case of all the countries of the world, and it could develop its work even further in the case of such European countries as would be prepared to increase the volume and reliability of the information furnished. Here again, as in the matter of the finding of employment for individuals,

the International Labour Office could render undoubted service as a "clearing-house", unless such duty could be better discharged by the European labour exchange suggested previously.

The International Labour Office could, however, especially in view of the duties assigned to it by the Treaty of Peace, of which the essential feature is the protection of the wage-earners, intervene in order to ensure that the living and working conditions of immigrant workers are on the same level as those enjoyed by the subjects of the immigration countries. Such equality of treatment is very desirable, particularly in Europe. Many immigration countries, rich industrial countries, have laid down for their workers standards which they legitimately fear might be lowered if new arrivals were able to work on lower standards. Hence the utility of bilateral agreements between immigration and emigration countries, which, while regulating the procedure for the recruitment and placing of workers with a view to the national interests involved, also ensure to national and foreign workers the same treatment for the same work. Twenty-four such agreements are already in force in Europe, covering sixteen States<sup>1</sup>. Of these twenty-four agreements, eleven are agreements between Governments, four are agreements between administrations, four are non-official agreements, and five are clauses concerning migration contained in commercial treaties.

This situation contains features which may inspire some degree of satisfaction. It would, however, be desirable if it could be supplemented, for by no means all countries of emigration have as yet concluded agreements with countries of immigration. Among the former, Poland and Austria have each concluded five agreements, but Italy only three, Czechoslovakia three, Yugoslavia and Hungary two each and Roumania one. Among the countries of immigration, France has already concluded eight agreements and Germany five, but Belgium has only made four, Luxemburg two and Switzerland one.

The International Labour Office is able to offer its services with a view to promoting the conclusion of further agreements. It can give still further help in establishing definite rules by embodying in a Convention the main principles on which every bilateral agreement should be based. Thus, the free circulation of workers, which is not less desirable than the free circulation of goods, would gradually be established in Europe and would at the same time be regulated and provided with safeguards. The provision of proper safeguards for emigrants and their suitable distribution in accordance with their capacities and the requirements of the countries of immigration would regularise migration currents, and would probably increase their volume, thus tending to alleviate unemployment in countries which at present appear to be over-populated in comparison with their productive capacity and the opportunities of employment which they offer.

Such are the lines on which the internal problem of migration within Europe may be dealt with. Europe, however, has been in the past, and still is to-day, mainly a region of transoceanic emigration. Surely it would do well to try the method of the "united front". A united Europe would surely be in a better position to negotiate migration treaties with oversea countries which would make due allowance for the requirements of both parties. Here, again, the work which might be done by the International Labour Office or an official institution set up in connection with it, acting as a clearing-house both for information on requirements and for the distribution of migrants, would be of great value. Moreover, a European organisation could consider the possibility of granting credits to countries of immigration which might require them in order to receive European immigrants, to establish them and to equip them. The policy of international credits which has recently been inaugurated for the benefit of European agriculture might also be applied in other directions. One of the most suitable and fruitful fields for such a policy would be the settlement in foreign countries of some proportion of the surplus working population which at present clogs the European economic system, and shows signs of becoming a possible social danger.

*Organisation of Public Works.* — In a recently published study,<sup>2</sup> the International Labour Office has pointed out the value of a national policy of public works, for those countries which have drawn up schemes in advance, in alleviating if not preventing unemployment. What is meant here is not the improvised organisation of "relief works" at a time when unemployment threatens to prevail or has already appeared. Improvised works of that kind can never be more than an uncertain palliative which produces comparatively little effect, and may even impede the resumed activity of private industry. On the other hand, however, the preparation of a well-thought-out scheme of public works useful to the community and economically profitable, to be carried out in sections as soon as an unemployment crisis shows signs of appearing, may be extremely effective. Work of this kind should be begun before unemployment becomes acute—*e.g.*, when the number of unemployed amounts to about 4 per cent of the total working population. The work should, if possible, not create any artificial demand for labour. It should not induce regularly employed workers to leave their ordinary posts, nor should it provide employment for the unemployed as such. The necessary skilled labour should be found where it exists, and employment should thus be provided for those who are out of work either directly, if they are capable of doing the work in question and in a position to take part in it, or indirectly by the

<sup>1</sup> The following are the States parties to the Treaties (the names in parentheses are those of the States with which the State mentioned has concluded a bilateral treaty): *Germany* (Austria, Lithuania, Poland, Czechoslovakia, Yugoslavia); *Austria* (Germany, France, Hungary, Poland, Czechoslovakia); *Belgium* (France, Italy, Luxemburg, Poland); *Denmark* (Poland); *France* (Austria, Belgium, Hungary, Italy, Poland, Czechoslovakia, Roumania, Yugoslavia); *Hungary* (Austria, France); *Italy* (Belgium, France, Luxemburg); *Latvia* (Lithuania, Poland); *Liechtenstein* (Switzerland); *Lithuania* (Germany, Latvia); *Luxemburg* (Belgium, Italy); *Poland* (Germany, Austria, Belgium, Denmark, France, Latvia); *Roumania* (France); *Switzerland* (Liechtenstein); *Czechoslovakia* (Germany, Austria, France); *Yugoslavia* (Germany, France).

<sup>2</sup> *Unemployment and Public Works*. International Labour Office, Studies and Reports, Series C, No. 15, Geneva, 1931.



vacancies created in certain districts and certain undertakings. The work should, moreover, be organised on economically sound lines; in other words, the wage rates should be those normally paid.

National public works organised on these lines are bound to produce good results. Not only do they directly diminish the number of unemployed, but the economic activity which they stimulate, by ordering tools and material from private industry, and by increasing the purchasing power of the worker (who in all cases receives a higher wage than the sum which he might obtain through a system of unemployment insurance or public relief), restores confidence in private industry and promotes its activity.

It will thus be seen that good effects of various kinds may be produced by systematically planned public works, the execution of which can be adjourned in time of prosperity and hastened when a crisis appears. The publication of the International Labour Office analyses such schemes of public works and the effects produced in various European countries, France, Germany, Finland, Great Britain, Sweden, Norway, Switzerland and Italy. Up to the present, however, no concerted schemes of public works planned on a European scale for the benefit of Europe have come into existence.

The Unemployment Committee of the International Labour Office drew attention to "the possibility of Governments coming to an agreement through the appropriate organs of the League of Nations with a view to joint execution of extensive public works of an international character". The value of such work is two-fold. It is of direct use to the country in which it is carried out, and it is of indirect but not less vital importance to other countries through the substantial improvements which are provided for all concerned, and through the orders of material or equipment and the demand for labour to which it gives rise. Indeed, such work would also present a psychological and moral advantage. It would interest all the countries of Europe in objects of a European character and would thus develop that spirit of collaboration, that *European spirit* which it is the object of the Commission of Enquiry for European Union to foster.

It is interesting to note that the idea of great international public works has haunted the minds of all those who, for more than a hundred years past, have dreamed of a united Europe. It was the idea which Saint-Simon put forward so ably in his remarkable memorandum of 1815. Quite recently it was put forward again by the American engineer, Dannie Heineman,<sup>1</sup> who endeavours to show that Europe, like the United States of America, cannot create economic equilibrium and close solidarity except by improving and developing the machinery for inter-course, roads and railways.

It would no doubt be premature and presumptuous to attempt at the present stage to draw up a scheme of international public works for Europe. Some ideas have, however, already been put forward, and the International Labour Office may draw attention to them by way of example.

One of such ideas is that of a great international road system. Europe already has, of course, numerous and fine roads; certain European road systems are among the finest in the world. But at the present day, when motor traffic is increasing so enormously and so rapidly, it surely can hardly be maintained that any of these road systems is entirely sufficient to meet the needs of international trade. Special roads for motor traffic are everywhere being made in the most advanced countries of Europe. They are, however, not connected with one another, but rather resemble scattered fragments of a body which has not yet come into existence and which does not even appear to have been imagined as a whole by any human mind.<sup>2</sup> Such an international road system should have main arteries, both longitudinal and transversal. There might, for example, be one main artery passing through Paris, Vienna and Athens, another through Paris, Berlin, Warsaw and Moscow, a transversal trans-Alpine artery and another from the Balkans to the Baltic. This would, as it were, represent the nervous system of the united Europe which it is desired to create.

A system of navigable waterways is also needed. Certain regional systems already exist and only require to be co-ordinated. The linking up of the Rhine and the Rhone and of the North German system with that of the Danube would be enterprises which would affect internationalised waterways or waterways which pass through various countries. They would be of interest to a large number of commercial Powers of Western, Northern and Central Europe.

Something has already been done, though only on a small scale, in the direction of transmitting electric current from one country to another. Arrangements for this purpose have been made between Switzerland, on the one hand, and France, Germany and Italy on the other hand, as well as between France and Belgium. The Belgian Government, in a memorandum addressed to the Commission of Enquiry for European Union in January 1931, raises the problem of the international distribution of electrical power. This would be an extremely useful piece of work and would help to provide Europe with a unified economic organisation, which would be one of the surest pledges of its political and spiritual union. It will, of course, be realised that important orders for material of various kinds would have to be placed in numerous countries for an undertaking of this kind.<sup>3</sup>

<sup>1</sup> *Esquisses d'une Europe nouvelle*, Brussels, 1931.

<sup>2</sup> Cf. the recent schemes for motor roads worked out by M. Pélignat and M. L. Lainé, who lay stress on the international character of their French roadway scheme. As regards the development of railway systems, the Office has received a copy of an inter-European and Asiatic railway scheme submitted to the Communications and Transit Committee of the League of Nations by an Italian engineer, M. Barduzzi.

<sup>3</sup> Cf. "*Les deux Europes*", by M. Delaisi, and "The Importance to be attributed to Electricity for the Transformation of Europe, B" in a pamphlet by Mr. Heineman.



It is not necessary to put forward too many suggestions of this kind at the present stage, but a word may nevertheless be said concerning a scheme with which the Office has long been specially preoccupied—the uniform and concerted substitution on all railways on the Continent of Europe of a suitable system of automatic coupling for the present system of screw-coupling, which still causes many fatal accidents every year. In accordance with a resolution adopted by the Labour Conference in 1928, a committee was set up to study this problem. That committee got into touch with the International Railway Union, which is studying the technical, economic and financial aspects of the problem. The studies are proceeding satisfactorily, and it is hoped that a solution may be reached in a comparatively short time. It is not necessary to explain in the present note the details of what is being done. It may, however, be pointed out how much an undertaking on so large a scale and presenting such great social and, indeed, economic utility (for not only is it economically desirable to save human lives, but even from the technical point of view the change would present advantages) might do to promote the solution of the terrible problem of unemployment. A qualified expert gives the following figures regarding the operations which would have to be carried out in Germany alone for the introduction of automatic coupling: 750,000 trucks would have to be equipped, the total expenses would be about two milliard Swiss francs, and of this sum he estimates that only one-fifth would be absorbed by material and four-fifths, or 1,600,000,000 Swiss francs, by wages. Taking as a basis a wage of 10 francs per day and estimating the period required for the work at five years, it will be seen that work would be provided for more than 100,000 men for five years to transform the German material alone. The total number of railway trucks in Europe is six times as many as the number in Germany; thus, more than 600,000 workers would be provided with employment for five years if this work, which is of undoubted international utility, were undertaken.

It is fully realised that these questions are new ones. They may encounter scepticism, they may disturb traditional views and arouse uneasiness among particular interests. Nothing can be done on the lines here suggested without a bold general conception, international financial co-operation and the sacrifice of certain narrow national interests. It would, nevertheless, appear that the idea of international public works is gradually making headway. In the discussion which took place on this point in connection with unemployment at the meeting of the Governing Body of the International Labour Office in January 1931, the German Government representative stated that the idea of public works carried out in accordance with international agreements might well be developed and might lead to practical results. He stated that certain European countries, such as Great Britain and Germany, which have long suffered from an unemployment crisis, are meeting with increasing difficulties when they attempt to inaugurate public works of real economic utility. There remains the resource of undertaking international public works in collaboration with other States which have adequate funds at their disposal.

### III.

In the considerations set forth above, the Office has systematically confined itself to what fell strictly within the competence of the International Labour Organisation; *nam, more*, to those questions within the competence of the Organisation which could be studied by the Commission of Enquiry for European Union *with a view to action in the near future*.

It is fully realised that economic or financial action may produce a greater effect in reducing unemployment. Great hopes are reposed in the development of International agreements for adjusting production to effective market demand, for distributing the available capital in a more satisfactory way, for reducing Customs duties and for facilitating the organisation of commerce. It is, however, impossible not to realise the constantly recurring difficulties encountered in the negotiations which have been carried on for some years past in order to put these ideas into application. It is impossible not to realise that, even if such a programme were progressively carried out, it would not be followed by an instantaneous recovery of the economic system which is so profoundly disturbed. It must, indeed, be recognised that certain reform measures, such as the reduction of Customs barriers, might at first cause increased unemployment among certain classes of workers.

From the point of view of the unemployed, immediate results are required; even if those results are limited, it does not matter so much provided they are tangible. The action proposed above would produce direct and speedy effects. For the same reason the Office has in the present memorandum deliberately left out of account more far-reaching, and possibly in the long run more effective, proposals, which are definitely within the competence of the International Labour Organisation, but for the immediate realisation of which the Organisation is not yet in a position to take effective action. What the Office has in mind is the problems of wages and hours of work which, in their connection with unemployment, have given rise to controversy between the employers' and workers' representatives on the Governing Body. No opinion will therefore be stated in the present note concerning the immediate effectiveness of a reduction in the working day or week, or of the maintenance (pending the raising) of wages as a means of combating unemployment. It nevertheless appears certain that closer agreements on the lines of the Conventions with a view to improved conditions of labour, such as those which the Office is at present endeavouring to promote in the case of coal mines, would decrease unfair competition and would remove many of the causes of unemployment in Europe. The study of these wide problems will be systematically continued as part of the normal work of the International Labour Organisation. The present memorandum is confined to a few limited and definite suggestions, concerned more specially with Europe.

In order that they may be studied and set in motion as rapidly as possible, the following proposals are made:

“ 1. That a sub-committee of three members of the Commission of Enquiry for European Union should discuss with three members of the Governing Body of the International Labour Office, and with the assistance of experts—*i.e.* the heads of the competent administrations—the possibility of the immediate development of the international placing of workers and the migration of workers in Europe.

“ 2. That another sub-committee, on which the Governing Body of the International Labour Office might also be represented (for labour questions), should draw up a scheme of European public works to be carried out in the near future. ”

It is quite realised that the adoption of these proposals would not mean the end of unemployment in Europe. It would, however, mean that some part of the work which could be carried out at once in connection with labour protection would have been attempted.

Rapid action is possible in connection with the finding of employment and migration. If it is desired, a European Labour Exchange could be set up rapidly and could work on the lines laid down by the numerous laws intended to protect national labour markets against an excessive influx of foreign labour. The question of public works would, of course, require more time. Even in the national sphere, the difficulties have sometimes proved discouraging. Internationally, there will, of course, be still more obstacles. It will be necessary to overcome prejudices in many quarters. Technical and financial difficulties will be encountered. It must not be thought that, before they have been overcome, the present terrible unemployment crisis will have been remedied by a spontaneous recovery of industry. It must be remembered that depression may recur, and preparations must be made to set in motion the great international mechanism constituted by a far-reaching and well-considered scheme of international public works. It must not be forgotten that, in addition to the cyclical elements in the present depression, which act alternately in one direction and in the other, there are the elements of endemic unemployment from which certain great European countries have suffered for years past and will perhaps suffer for years to come. In the interests of all parties, Europe as a whole must show its sense of solidarity. Collaboration for the execution of great public works and for the institution of a European Labour Exchange would have a limited but nevertheless definite utility in reducing the number of the unemployed. It would, moreover, have considerable moral value for the development of European unity. If the Commission of Enquiry can transform these two simple formulæ of systematic European collaboration into reality, it will have proved the possibility of movement by moving. The action outlined above represents the two *first steps* which it is proposed that it should take.

Geneva, April 15th, 1931.

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THE GOVERNING BODY OF THE INTERNATIONAL LABOUR OFFICE.

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FIFTY-SECOND SESSION, APRIL 1931, GENEVA.

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Extract from the Draft Minutes of the Eighth Sitting.

(Wednesday, April 22nd, 1931, Afternoon).

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The eighth sitting of the fifty-second session of the Governing Body of the International Labour Office opened at 3.30 p.m. on Wednesday, April 22nd, 1931, at the International Labour Office, Geneva.

The following members were present:

M. Arthur FONTAINE (*Chairman*).  
Sir Atul CHATTERJEE.  
M. GEMMILL.  
M. JOHANSON.  
M. JOUHAUX.  
Mr. KIRKALDY (*substitute* for Mr. Forbes Watson).  
M. KRUEGER (*substitute* for M. Vogel).  
M. LAEMMLE (*substitute* for M. Weigert).  
M. LAMBERT-RIBOT.  
M. MAHAIM.  
M. MARCHESI (*substitute* for M. Olivetti).  
M. MERTENS.  
M. DE MICHELIS.

M. MOLIN.  
M. MÜLLER.  
M. OERSTED (*substitute* for M. Hodač).  
M. POSADA.  
Mr. POULTON.  
Mr. RIDDELL (*substitute* for Mr. Robertson).  
Mr. SCHÜRCH (*substitute* for Mr. Moore).  
M. SOKAL.  
Mr. WOLFE (*substitute* for Mr. Lawson).  
M. YOSHISAKA.

Absent:

M. CANTILO.

The following deputy members were present:

M. BACKLUND (*substitute* for M. Hueber).  
M. BRABLEC.  
M. ČURČIN.  
M. ERULKAR (*substitute* for M. Fujita).  
M. LECOCQ (*substitute* for M. Gérard).  
M. SCHEVENELS (*substitute* for M. Caballero).  
M. TZAUT.  
M. VANEK (*substitute* for M. Oersted).  
M. ZULAWSKI.

There were also present:

M. Albert THOMAS, *Director of the International Labour Office.*  
Mr. H. B. BUTLER, *Deputy Director of the International Labour Office.*  
Mr. PHELAN and Mr. PÔNE, *Secretaries to the Governing Body.*  
M. VIPLE, *Chef de Cabinet of the Director.*  
M. BERIO, accompanying M. de Michelis.  
M. LABRIOLA, accompanying M. de Michelis.  
Miss CLARK, accompanying Mr. Riddell.  
M. HOSONO, accompanying M. Yoshisaka.  
M. ISHII, accompanying M. Yoshisaka.  
Mr. KERWYN DE MEERENDRÉ, accompanying M. Lecocq.  
Mr. MATHER, accompanying Sir Atul Chatterjee.  
M. PICQUENARD, accompanying M. Arthur Fontaine.  
M. Carlos POSADA, accompanying M. Posada.  
Mr. ROLLS, accompanying Mr. Kirkaldy.  
M. ROSNER, accompanying M. Sokal.  
M. SJÖSTRAND, accompanying M. Molin.  
Mr. SOMERVELL, accompanying Mr. Wolfe.  
M. WAJINE, accompanying M. Lambert-Ribot.

#### TWELFTH ITEM ON THE AGENDA: CONTINUATION OF THE DISCUSSION ON UNEMPLOYMENT.

The DIRECTOR reminded the Governing Body of the conditions under which it had instructed the Office at its fifty-first session to prepare for the April session a memorandum on the possibility of laying before the Commission of Enquiry for European Union, which would hold its next meeting in May, proposals for practical action in connection with unemployment, while itself continuing its researches and activity in the international sphere.

The Unemployment Committee had not met again before the present session of the Governing Body, and, since the agenda of the present session was very heavy, the Office had mainly directed its efforts on the unemployment question towards preparing the memorandum on which the Governing Body was called upon to take a decision.

In addition, the resolution adopted at the fifty-first session of the Governing Body had been communicated to the Organisation Sub-Committee of the Commission of Enquiry for European Union, which had referred to it in its report. If therefore the Governing Body approved the lines on which the Office in its memorandum proposed to lay the question before the Commission of Enquiry for European Union, the Office would send the memorandum to that Committee.

The Director's report to the fifteenth session of the International Labour Conference would, moreover, deal more specially with the question of unemployment as a whole, so that the Conference could hold a general discussion on that question.

The memorandum submitted to the Governing Body might be considered to be of a somewhat limited and cautious nature. Although the unemployment problem and its remedies were of a universal character, and the International Labour Organisation was concerned with solutions which might be applied to the whole world, there were nevertheless certain aspects peculiar to Europe, and it was of course with those aspects that the memorandum primarily dealt.

The possible remedies for unemployment in Europe might be of a political, financial or economic character, which removed them outside the competence of the Organisation. Thus, for example, far-reaching measures might be contemplated with a view to a Customs truce or a more satisfactory distribution of gold, the improvement of the circulation of capital or the distribution of credit. The Office could, of course, refer to the importance of such elements; but it should mainly devote its energies to drawing attention to the measures and reforms which fell within its competence. However limited those measures might appear, it felt that it was its duty to recommend them.

M. YOSHISAKA said that the memorandum of the Office on unemployment from the European point of view contained certain suggestions which deserved particular attention in view of their permanent character.

The memorandum dealt with certain phenomena and certain causes of unemployment which it considered as specifically European. Nevertheless, even within Europe itself, conditions were not always similar, and the intensity and character of the crisis differed in different districts. Moreover, certain of those phenomena and causes existed to an even greater extent in oversea countries than in certain European countries. It therefore appeared that the measures proposed in the memorandum, as, for example, the organisation of international public works, employment exchanges, and so on, could be applied to oversea countries as well. If international public works, for example, were organised on a wider basis than that of Europe, it would be greatly to the advantage of the Europe workers themselves. The credits necessary for carrying out such work might also have a wider international character.

The memorandum referred to the question of emigration only from the European point of view. Here again the exchange of labour should not be limited to European emigration, but should aim at an exchange of workers between countries in all continents. There were some oversea countries whose interests were identical with those of European countries, and those countries would welcome international action on broad lines, especially in connection with measures of a permanent character.

Incidentally, M. Yoshisaka would be glad if the Director would indicate on what legal basis the question of unemployment could be treated specially with regard to Europe.

M. PICQUENARD said that, while it would be desirable for the Organisation to be able to put forward practical suggestions for remedying unemployment, he thought it might be dangerous to recommend measures which could not be carried out in the near future, as the prestige of the Organisation might suffer if they were unsuccessful.

The memorandum of the Office expressed the opinion that a European Labour Exchange could be set up rapidly, but that the organisation of international public works would require more time. It might be questioned, however, whether the organisation of the Labour Exchange would not in fact encounter the same difficulties as the organisation of international public works. This depended on what the European Labour Exchange was to be. If it were proposed merely to centralise information concerning the labour market in the various countries, it could, of course, be organised at a very early date.

The information which the majority of European States furnished periodically to the International Labour Office under the Unemployment Convention might serve as a basis for its work, and if that information were published earlier, in more detail and with greater uniformity, valuable progress might be made.

If, however, it were proposed that the European Labour Exchange should play a more active part, and should itself undertake to place workers in employment and to act as an intermediary between applications and vacancies, its functions would be of a much more delicate nature and would doubtless encounter serious difficulties. It was well known that the balancing of applications and vacancies within a country was a difficult matter, and the difficulties would be much greater when several different countries were concerned. Workers could not be treated as interchangeable merchandise; their origin was not a matter of indifference to their future employers. Foreign workers would obviously be more acceptable in proportion as the customs and methods of working of their country of origin resembled those of the country of immigration. Similarly, a country of immigration would obviously be inclined to give preference to workers from neighbouring countries, since their transport and possible repatriation would be easier and less costly. Moreover, the countries of emigration themselves would want to know in what countries and under what conditions its nationals were to obtain employment.

Questions of that nature had, up to the present, been governed by bilateral treaties, and it might be questioned whether they would be more satisfactorily regulated by a European organisation working on international lines. In any case, the negotiations would take a long time, so that the European Labour Exchange could not be put into practical operation for some considerable time.

Reference had been made to the action taken by the Office in placing refugees. But it must be remembered that only 35,000 persons had been dealt with in the course of several years, and that the operation was not really one of balancing applications and vacancies. It really came under the category of assistance, and was not carried out in order to supply definite labour requirements.

But, even if these difficulties were overcome, it was not certain that a European Labour Exchange would really bring practical relief to the present unemployment crisis. It could not

balance applications and vacancies unless both existed. There would be no difficulty in finding available workers in most countries, but while the world crisis continued, it would be difficult to find countries where such workers could be employed. As far as France was concerned, labour was not at present required in any occupation which could not be supplied either by French workers out of employment, or by the seasonal immigration which had always existed and which, owing to the present crisis, had been considerably reduced. In this connection, the number of foreign workers who left France of their own accord was considerably higher than the small number who entered France, whereas, in preceding years, the exact contrary had been the case. This state of affairs was likely to continue for months or even years to come.

In the circumstances, it must not be expected that the European Labour Exchange, especially if it were required to play an active part in the placing of workers, would provide immediate relief, however slight, for the present unemployment crisis. That was, however, no reason why it should not be set up; it would no doubt be of a certain utility, but exaggerated hopes should not be reposed in it.

As a practical conclusion, M. Picquenard suggested that the question should be referred to the sub-committee which the memorandum proposed should be set up. It would perhaps be desirable, however, that both countries of emigration and countries of immigration should be sufficiently represented on the sub-committee so that all points of view could be taken into consideration.

M. ČURČIN pointed out that, in accordance with the instructions which it had received, the Office had to limit its study to the consideration of the social measures to be taken to counter unemployment, leaving aside the purely economic factors. That, in practice, was impossible, and it was probable that, if the Office had been able to consider the question as a whole, the result of its studies might have been better balanced. In the introduction to the memorandum, the economic causes of the present crisis and of unemployment had been reviewed, but not very clearly or fully. Thus, the memorandum made no reference to the part played by Stock Exchange speculation, which was of the greatest importance, particularly since close connections existed between the principal stock markets of the world. It might, therefore, have been better to make no reference whatever in the memorandum to the economic aspect of the question.

With regard to the remedies of a social nature with which the Office considered itself competent to deal, it appeared, as M. Picquenard had suggested, that too optimistic a view had been taken of the immediate results to be obtained. In fact, economic measures alone could effectively remedy the general economic crisis and the resulting unemployment crisis. The measures which fell within the competence of the Organisation were really of a secondary character, and the memorandum attributed too much importance to them.

The memorandum also contained certain contradictions. On the one hand, it called attention to the necessity of increasing economic collaboration on a basis of equality and of making efforts to render conditions of work uniform in order to decrease "unfair competition"; but, on the other hand, it made no reference to certain factors such as rates of interest of 10 to 20 per cent which, in the poorer countries of Eastern Europe, had a serious effect on costs of production. If there was to be any reference to competition, all its elements should be taken into consideration.

M. Picquenard had referred to bilateral emigration treaties, but even countries where such treaties were in operation frequently expelled foreign workers. It had even happened that workers' organisations had demanded that foreign workers should be replaced by nationals. Before setting up labour exchanges to find employment for workers internationally, it would be necessary to leave foreign workers in the countries where they had already found employment.

Reference had been made to the work of the Office in placing Russian refugees. That, however, had been an entirely different matter. It was not likely, for example, that the European unemployed would consent to work in South America.

With regard to public works, it seemed that, during the economic crisis, the budgets of the various States which mostly showed a deficit could scarcely be expected to bear the additional expense required for work mainly undertaken as a remedy for unemployment. It must also be considered whether the various countries would have sufficient credit to raise loans under such conditions.

As regards the two committees suggested at the end of the memorandum, he proposed that the first should consider primarily the question of requiring Governments to retain foreign workers who were already employed in their countries, and postpone until a later date its consideration of the other subjects suggested in the memorandum, and that the second committee should in any case consider the financial and credit situation of the countries in which public works might be undertaken.

M. MÜLLER said that he was greatly disappointed with the memorandum submitted by the Office. It was true that the Office stated that the remedies proposed would not result in a definite elimination of unemployment but would merely tend to bring about its rapid reduction in certain directions. The remedies suggested, however, appeared, in the light of the painful experience of the German workers, to be illusory.

Unemployment insurance, for example, would be universally admitted to be nothing more than a remedy for the miseries caused by unemployment and not for unemployment itself. It might at the most have a certain influence in alleviating the crisis, since the relief paid to the unemployed maintained their purchasing power to some extent.

With regard to public employment exchanges, it was difficult to see what useful purpose they served, even if they were to be developed as they had been in Germany, when there was no demand

for labour and the labour market was overwhelmed with applicants for employment. In Germany, the situation was such that the main function of the public employment exchanges was to register the number of unemployed. Under such conditions, it was obvious that the establishment of employment agencies would not constitute a remedy for unemployment.

The memorandum seemed to attach particular importance to the question of the exchange of workers to be organised by a European Labour Exchange. It was, however, probable that by the time that the Labour Exchange was ready to operate, the worst of the crisis would be over. Even if it could begin its operations at the present moment, it was doubtful whether it would prove really efficacious. All the labour markets of Europe were besieged by the unemployed, and only if the scope of the Employment Exchange extended beyond Europe and covered the whole world would it be possible to hope for any practical results.

With regard to the question of public works as a remedy for unemployment, it had been suggested as an example that if the German railways equipped all their rolling stock with automatic couplings approximately 100,000 unemployed could be provided with work for a period of five years. Even if those figures were exact, it was difficult to see where the necessary financial resources could be found to carry out such a scheme, which would cost approximately two thousand million Swiss francs in Germany alone. The other proposals for public works, such as the construction of roads, would encounter the same difficulty. All those measures would only have provided a remedy if they had been planned before the crisis and not when it was at its height.

In the opinion of the workers' group, it was necessary to deal with another aspect of the problem—namely, that of production and consumption. On this point, the International Labour Organisation should endeavour to suggest some means of finding an equilibrium between the purchasing capacity of the masses and production. It was true that the Office was bound by the instructions given by the Unemployment Committee and approved by the Governing Body. It might perhaps have been advisable to have held a further meeting of the Unemployment Committee before the present session of the Governing Body in order that it might reconsider the question as a whole and put forward new proposals.

The workers' group was also of opinion that one of the most urgent problems at the present time was to reduce hours of work and to increase real wages in order to bring hours of work into harmony with the productivity of the workers. Such an increase would not imply an increase in nominal wages, but rather a decrease in the prices fixed by trusts and cartels, calculated to increase the purchasing power of the masses. Since that problem appeared to fall within the competence of the International Labour Office, it was desirable that it should be considered without delay.

Mr. WOLFE said that the British Government had no general observations to make on the memorandum of the Office. He agreed with M. Picquenard's suggestion concerning the conditions under which the proposal to set up an International Labour Exchange should be referred to the proposed sub-committee. It was essential in his view that, before such an organisation was contemplated, national systems of employment exchanges should exist in the different countries similar to those already existing in Great Britain and Germany. Until the different countries had set up a system of employment exchanges it was not possible to organise such a system on an international basis. The sub-committee should also carefully consider the question of cost.

As the British Government had not yet had time to consult the Dominions with regard to the question of immigration into oversea countries, it must reserve any observations on that point until a later date.

M. DE MICHELIS considered that the Office had carried out the work which the Governing Body had entrusted to it in the most careful and thorough way. He agreed with M. Yoshisaka that unemployment was a worldwide problem; but, though the Unemployment Committee was to continue to study it from a worldwide point of view, the only thing to be done at the moment was to consider what practical action could be taken to remedy European unemployment.

That action as proposed by the Office was made up of three elements. The first consisted of relief for the victims of unemployment by means of a system of compulsory insurance, as proposed in the resolution voted by the Governing Body at its last session.

Among the practical means of decreasing unemployment, the Office then suggested the organisation of an International Labour Exchange. M. de Michelis did not share M. Picquenard's apprehensions on this point. He had himself found that the greatest difficulty which existed in placing workers in foreign countries was the lack of knowledge of the conditions of the labour market in the countries to which the workers could be sent. The main thing was to ascertain the requirements in each occupation, so that the emigrants might be sure of finding remunerative employment. Not all countries were, however, equally well equipped for supplying or obtaining information of that kind. Thus, one of the most important functions of the proposed Labour Exchange would be the collection of information. It would need to be informed, so to speak, day by day of the labour requirements of the various countries. Such work could conveniently be undertaken by an international organisation. An institution of this kind could work all the better if it had the support of national employment exchange systems, but it was not necessary to wait until such systems existed in all countries before setting up an international labour exchange. Indeed, the establishment of an international exchange would probably promote the creation or development of national employment exchanges.

One question with which the future International Labour Exchange might deal, in addition to that of bilateral treaties to which the memorandum called attention, was that of individual or collective contracts which constituted the necessary passport for all workers going to foreign countries.



Difficulties would undoubtedly be encountered in the working of the labour exchange, and considerable preparatory work would have to be undertaken. Nevertheless, he thought that practical results could be obtained fairly rapidly in the organisation of the labour market.

In M. de Michelis' opinion it was impossible to separate the social from the economic aspect of the problem. The interdependence of economic and social phenomena was a fact which could not be ignored. Various attempts recently made in the specifically economic field had met with no success. For this reason, the Director's proposal to constitute a mixed committee in collaboration with the Commission of Enquiry for European Union appeared to be an excellent suggestion. All action taken to remedy unemployment should be of a concerted nature and should deal with the economic sphere as well as the social sphere. The proposal would admit of the creation of an international body working under the auspices of the League of Nations, but particularly in collaboration with the International Labour Office and with the International Institute of Agriculture.

Since the idea, put forward by M. de Michelis at the last session of the Governing Body, of adjusting labour to the requirements of the labour market had been accepted, it would be desirable that studies should be made on this aspect of the question and that the second idea which he had also put forward in the Governing Body, the question of colonisation and the remedies which it might afford to the economic disorganisation of Europe and of the world, should be taken into consideration.

He fully realised the difficulties which any practical action to combat unemployment was likely to encounter, but he felt that action must be taken without delay, and he strongly supported the proposals of the Office. He also supported M. Picquenard's proposal to widen the composition of the proposed sub-committee so that the Governments of countries of emigration and immigration should both be able to express their opinion.

M. JOUHAUX said, in the first place, in reply to M. Čurčin, that, as far as he was aware, no workers' organisations, in France at any rate, had ever taken any steps in order to obtain the expulsion of foreign workers. On the contrary, they had always opposed such a practice. If they had asked for certain measures of a national character regarding the movements of foreign workers on French territory, it was precisely to avoid the expulsion of foreign workers. He asked M. Čurčin to furnish the names of any organisations which might have asked for the expulsion of foreign workers.

M. Jouhaux shared M. Müller's regret that the memorandum of the Office on the question of unemployment did not deal more vigorously with that grave problem. There could, of course, be no question of finding a definite remedy for the whole unemployment problem, but simply of considering, with a view to Europe only, what immediate steps could be taken to provide some relief for those who were suffering from unemployment.

In this connection, he could not agree with M. Picquenard's criticisms. M. Picquenard had referred in particular to the bilateral treaties concluded by France in regard to the international exchange of workers. The French Government was about to enter into further treaties of a similar nature, but, even if such treaties were concluded between France and all countries of emigration, that would not constitute an international organisation. The question of bilateral treaties into which countries might enter to regulate the exchange of workers had no connection with the question raised in the Office memorandum.

It was obvious that the International Labour Exchange which it was proposed to set up could render great service. In the first instance, it would furnish statistics and collect information concerning the state of the labour market in the various countries and would thus fill a gap which existed at present. In addition to supplying information, however, it should do active work as regards the placing of workers. M. Picquenard had pointed out in this connection that the International Labour Exchange could not do useful work unless a demand for labour existed. It was true that the demand was now very small, but not as small as was often maintained, even in countries where unemployment was prevalent. That was particularly the case in France where there was still a certain demand for agricultural labour, with the result that the National Economic Council had been obliged to allow certain exceptions for agricultural labour to the general rules governing the placing and distribution of foreign labour in France. Other countries were no doubt similarly situated. It was thus possible that, with the assistance of a European Labour Exchange, the international exchange of workers might be organised more easily and with greater effect. But measures of that kind could obviously not suffice, in present circumstances, to provide an adequate remedy for the unemployment crisis.

The establishment of an International or of a European Labour Exchange and the organisation of a programme of public works, as was suggested in the memorandum, would doubtless prove useful; but it was evident that, since the last session of the Governing Body, the unemployment crisis, even in Europe, had become more acute. It must not be imagined that, because certain industries for their own particular needs had engaged a larger number of workers, the crisis had reached its apex and that a general improvement was about to be realised. Under these conditions, it was necessary to enquire what were the real causes of the further aggravation of the crisis, and this was a point with which the Office memorandum might have dealt more fully. It was true, as the Director had pointed out, that the financial aspects of the problem, and, in particular, the question of Customs, did not fall within the competence of the Office. But the

International Labour Organisation could not disregard the fact that the crisis was being aggravated as a result of the reduction of wages, which entailed a decrease in the consuming capacity of the masses in all countries. To reduce wages was an even greater mistake in time of crisis than in normal times. A study of the possibility of finding work for the unemployed showed that the demand for labour could only be increased by an increase in the consuming capacity of the workers. Even without going beyond the European aspects of unemployment, the Office could not fail to take this important factor into account.

Moreover, a careful study of the situation in the last few months showed, not only a decrease in the consuming capacity of the masses, but also an increased tendency towards national protectionism and of measures to reserve the markets of a country for its own national industries, which amounted in fact to economic war. The International Labour Office could not refrain from commenting on such a situation, which, if it continued, would render nugatory the efforts which were being made to remedy the crisis. It could not be maintained that these were questions for which the Governing Body was not competent, even if the deliberately calculated decisions which it had taken in the past had prevented the Director from dealing with the direct causes of the crisis and the remedies which should be applied. The Governing Body could not fail to realise that if, at the present moment, within a few days of the meeting of the Commission of Enquiry for European Union, it refused to face the problem by calling attention to the dangers of the situation, yet another failure would be registered; and that succession of failures was not calculated to inspire confidence in the masses. Unemployment was a painful reality, and practical solutions must be found for it. The two remedies proposed by the Office might be justified, and personally he was glad they had been suggested; but they could have no effective result unless something was done to combat the ultimate causes of the crisis.

The general question of unemployment would be discussed at the Conference; but the Commission of Enquiry for European Union would have met before then, and if it did not devise some means of bringing immediate relief to the unemployed of Europe, the discussions of the Conference would produce little effect on the minds of the workers.

M. LAEMMLE said that the unemployment situation as a whole continued to be extremely grave. Since January it was true that a slight improvement had been apparent on the principal Stock Exchanges; but, even if a new economic cycle were about to be inaugurated, no hope could be held out that the effect of the revival would make itself felt on the labour market for a long time to come. The immediate future, therefore, remained gloomy; the financial burden of unemployment insurance and relief of all kinds afforded to the workers was still very heavy, and might even be still further increased.

It was impossible to ignore the moral effect which the continuation of the crisis would have on the workers and, in particular, on young persons. These considerations had led the Committee set up in Germany to study the unemployment problem to propose that, during the crisis, hours of work should be reduced by law according to the varying conditions existing in the various branches of industry. The German Government had not yet taken a decision on this point; the main question was whether the reduction in hours of work would or would not be compensated by an increase in wages. If wages were not increased purchasing power would be lessened, and if they were increased, costs of production would rise, and competition would become more difficult. Either of these developments might be a fresh cause of unemployment. In any case, it was difficult for one single country to find a solution for so serious an economic problem, and it was unfortunate that the Governing Body had not been able at its January session to reach a more definite solution. It was possible that new points might be brought forward during the discussions at the International Labour Conference.

The memorandum submitted by the Office proposed a series of immediate remedies which it was not suggested would entirely eliminate unemployment, but which represented interesting practical suggestions. Different opinions might be held as to the immediate and practical effect of the proposed measures, and it might be asked, for example, how far the proposed Labour Exchange would contribute effectively to restore equilibrium in the labour market. The suggested programme of public works appeared to be a more satisfactory proposal, and it would be remembered that the German Government representative had already laid stress on this aspect of the problem at the January session of the Governing Body.

The importance of the Office proposals did not so much reside in their details as in the desire which they showed to quit the field of theoretical discussion and to deal with the practical aspects of the question. It was to be hoped that the Commission of Enquiry for European Union would also be inspired with a desire to find practical solutions.

Mr. SCHÜRCH said that, when unemployment had been discussed at the January session, the Committee's report had been criticised as being too theoretical, but, now that the new memorandum put forward concrete suggestions, it was criticised again. No illusions should be entertained as to the immediate realisation of the proposed solutions, but it was satisfactory that, on this occasion, practical proposals had been put forward.

Although it might be true that the unemployment crisis could only be finally solved on worldwide lines, that did not mean that measures which might be taken in Europe on a continental or national basis should be neglected. All possible measures which might result in a decrease of unemployment should be put into operation.

It had been suggested that the remedies put forward in the memorandum would encounter financial difficulties. That might be true for certain countries, but it could not be denied that

sufficient capital was available in Europe to carry out the programme proposed by the Office. What was required was increased international confidence. It was possible that the sub-committee of three members which would be set up to collaborate with the Governing Body might be in a position to bring together the countries with capital available and those whose financial situation constituted a real obstacle. Finally, it might perhaps be well to add to the Director's proposal concerning the placing of workers and emigration the words "and in the colonies of European countries". There were, in fact, opportunities of finding work for unemployed persons in the colonies.

M. LAMBERT-RIBOT noted, in the first place, that the Director's memorandum contained certain rather theoretical formulæ, and that certain statements, with regard to which the Unemployment Committee in its report had made prudent reservations, were made in a much more definite manner in the memorandum.

That was, however, no reason why something should not be attempted; he had no objection to an endeavour being made to settle the question of equality of treatment of workers and steps being taken concerning finding employment, insurance and relief. The Employment Exchange would doubtless prove useful as a centre of information. But, contrary to M. Jouhaux's opinion, it would not seem desirable to entrust it with executive functions. It would doubtless be better to leave such measures to the bodies already in existence.

M. Picquenard had already admirably said all that could be said on that subject.

The memorandum also dealt with the question of public works, which were generally recommended as a remedy in normal times and still more so during a crisis, provided that they had been planned in advance. Two things were, however, necessary: they must be economically productive and also, before their international aspect was considered, they must meet the real and often urgent needs of certain national economies. It would seem difficult to take any steps of this nature on an international plan as long as an economic crisis existed in the various countries. Since it was essential that some practical action should be taken, the urgent needs of a certain number of European countries should be considered in order that means might be found to assist them. That was, in effect, the object of the League of Nations, the International Institute of Agriculture and the Committee which was at present meeting to study the question of setting up an International Institute of Agricultural Credit. The same applied to Industry. The public works which might be undertaken in certain countries might serve to improve the ground by irrigation or draining or to construct roads, railways, and so on.

It might be suggested that those were purely national necessities which should be dealt with in the usual manner. That was true in theory, perhaps, but it must be remembered what was at present happening as regards agricultural credit in countries in Eastern Europe. The credit of those countries was insufficient to enable them to obtain loans at reasonable rates of interest which would allow the work which they undertook to be profitable, and they could only obtain the credit they required if they could give guarantees that the work which they desired to undertake would really prove useful and profitable. If it was desired to assist them internationally, it was essential, in the first instance, to consider the general economic utility of the work proposed and to decide whether such work would provide sufficient security to allow the usual rates of interest demanded for such countries to be decreased by the action of international solidarity.

It should not be impossible to create such international solidarity, but in order to do so it would be necessary that international meetings of the kind proposed by the Director should decide on the utility of the proposed construction of waterways, roads and railways.

In the industrial sphere, works of this kind should find their place in the international arrangements through which production would gradually be organised in Europe and the value of which, in certain cases, might be greater than that of purely private arrangements. As regards electricity, for example, international solidarity might be displayed in favour of a particular country whose waterfalls had not yet been utilised. In the event of plans for the utilisation of water-power not being considered by the international advisory bodies as offering sufficient justification for financial assistance, it was of course obvious that attempts might yet be made to give effect to them, apart from the proposed scheme of collaboration, and it would no doubt happen that a country would not consent to become entirely dependent on a group of other countries.

Generally speaking, not many of the kinds of work referred to in the Office memorandum were, economically speaking, immediately practicable or profitable. As regards automatic coupling, for example, M. Müller himself had enquired where the necessary funds were to be found for its adoption, and in any case it was doubtful whether it would show any profit. As regards construction of roads, preliminary studies would first have to be made by the various countries in order to draw up schemes of work for which international credits would be necessary. Only then would it be possible, after comparing the schemes, to contemplate, as a last step, international action of the kind to which the Director referred.

The ideas which M. Jouhaux had put forward on the question of wages seemed to be an economic paradox. It was obvious that throughout the world an effort was being made to reduce the cost of production, not in order to reduce the purchasing power of the workers, but in order to allow consumers in general to purchase what they required under better conditions. M. Jouhaux had also referred to the question of Customs tariffs, which he regarded as a manifestation of

economic war. But, in point of fact, Customs tariffs were a defensive weapon and nothing more. Moreover, the remedy for the present crisis was to be found neither in an increase nor in a reduction in Customs barriers, but in the conclusion of economic agreements, and as soon as such agreements were concluded, Customs questions would be found to be of secondary importance and would be easily settled.

M. KRUEGER said that, in his opinion, the only remedy for unemployment consisted in steps of an economic nature which, owing to their character, did not fall directly within the scope of the International Labour Organisation. The proposals of the Office were doubtless interesting, but he did not think they were of great practical value, for they did not take sufficient account of realities.

The real solution of the question was to be found in re-establishing the normal situation of the money markets. It was necessary, as the British Government representative had pointed out at the January session, to secure an adequate distribution of gold throughout the world. Unfortunately, the transfer of gold was only too often decided by political and not by economic considerations. This question obviously did not fall within the immediate scope of the Office, but it was nevertheless possible to call the attention of the Commission of Enquiry for European Union to the question, pointing out that, although the International Labour Organisation had no concrete proposal to put forward, it did not consider that a solution to the crisis could ever be found unless financial problems were solved on a sound economic basis.

It should further be remembered that, however important purely economic remedies might be, they were not sufficient. A profound change of heart was needed. Only a change of outlook would make possible the economic measures which were necessary to remedy so acute a crisis as that through which the world was passing.

He proposed that, if the memorandum were to be submitted to the Commission of Enquiry for European Union, it should be accompanied by an account of the discussion which had just taken place in the Governing Body.

M. SOKAL proposed that the Governing Body should adopt the following solution:

“ Since it seems probable it will be materially impossible for the Commission of Enquiry for European Union to consider the question of unemployment at its May session:

“ The Governing Body authorises the Director to submit the memorandum on unemployment to that Commission in his own name as a preliminary document, and decides, at the same time, to place the question of unemployment on the agenda of one of its next sessions.”

The May session of the Governing Body would be a very short one, and the discussion would therefore probably not be resumed until the October session.

M. LAMBERT-RIBOT supported M. Sokal's proposal, and requested that the memorandum should be submitted to the Commission of Enquiry for European Union as a document prepared by the Office and should be accompanied by the Minutes or an analysis of the discussion which had just taken place in the Governing Body in order that the League of Nations might realise the great interest which the Governing Body had taken in the question.

Mr. KIRKALDY said that, since an account of the discussion was to be attached to the memorandum, he wished to state that, in his opinion, the proposals concerning automatic coupling were premature while that subject was under consideration by a Committee of the Governing Body.

The DIRECTOR said that the memorandum which he had prepared for the Commission of Enquiry for European Union had been criticised by various members of the Governing Body on opposite grounds. He would remind the Governing Body in what spirit the memorandum had been drawn up. He had endeavoured, in this case as in all others, to see that the Office did what it had been instructed to do. It had been instructed to prepare before the Commission of Enquiry for European Union practical proposals on subjects which fell directly within the competence of the Office and which were of a specifically European character. The two proposals which appeared as the conclusion of the memorandum exactly corresponded to those conditions. The reason why he had not dealt with the questions which M. Jouhaux and M. Lambert-Ribot would have wished to see discussed was that the Unemployment Committee had excluded them from the positive and unanimous conclusions of its report. He intended to deal with them in his report to the Conference, where the discussion would be resumed on general lines. He had not felt able to bring them to the notice of the Commission of Enquiry for European Union because they did not lead to solutions which were practical in their application and European in scope.

Practical solutions were not necessarily solutions which could be applied immediately, or would be immediately effective. For the “ European Labour Exchange”, a period of organisation would be necessary. Its existence would not mean that unemployment would cease all at once. The Director had pointed this out more than once in his memorandum. It had been said that the European Labour Exchange would be more useful to combat endemic unemployment than that resulting from the crisis. But unemployment of the former kind co-existed with and aggravated the latter, and there thus seemed reason to hope that the establishment of a European Labour Exchange would produce appreciable results. Further, the difficulties which workers in certain occupations experienced in periods of crisis, and even in normal periods, in going abroad to complete their training, as well as the controversies which arose between one country and another concerning foreign workers who were expelled or who could not be admitted, should also be taken into

account. If the Commission of Enquiry for European Union set up the mixed sub-committee, which the Director had suggested, and which might be enlarged, a first step towards the settlement of all these problems would have been taken.

As regards the programme of international public works, too much importance should not be attached to the definite schemes which he had mentioned. They had only been given as examples. Incidentally, he had not invented them; they had been suggested in certain publications. He had not said the time was ripe for them; the extent to which they were expedient or immediately practicable was a matter for consideration. Here, again, the main point was the proposal to set up a sub-committee of the Commission of Enquiry for European Union, on which the International Labour Office might be represented for labour questions. The sub-committee could be asked to consider the whole question of public works, international public works or national public works assisted by international credits. The Director had anticipated his critics by pointing out in the memorandum that such works should be economically profitable. The question which the sub-committee would have to consider, if it were set up, was whether there would not be great difficulty at the present time in finding international credits for national public works.

The main thing about the suggestions made in the memorandum was, in his view, that they were practical, even if not immediately effective. They provided a definite basis on which to work, and to try to create something of a European spirit. It was for the Commission of Enquiry for European Union to consider them with that aspect in mind.

He saw no objection to the procedure proposed by M. Sokal, according to which his memorandum would be sent to the Commission together with an account of the discussions on it which had taken place in the Governing Body.

M. JOUHAUX pointed out that what he had said concerning the reduction of hours of work was not inspired specially by his desire to find a remedy for the present crisis, but was based on a general principle.

He wondered how the two proposals contained in the memorandum would be received. It might perhaps have been desirable, since the memorandum was in any case to be submitted to the Commission of Enquiry for European Union, that the Governing Body should have expressed its agreement in principle with the proposals.

M. PICQUENARD, in order to reach an agreement, proposed that M. Sokal's resolution should be confined to a simple decision taken by the Governing Body to submit the Office memorandum with the Minutes of the discussion which had just taken place in the Governing Body to the Commission of Enquiry for European Union. It was, in his opinion, unnecessary to refer to the fact that the Committee might be unable to consider the question of unemployment at its May session. It also seemed unnecessary to point out that the question was still on the agenda, since it was obvious that the question of unemployment would be one of the most serious preoccupations of the Governing Body of the International Labour Office as long as the crisis continued.

M. SOKAL accepted M. Picquenard's proposals.

The DIRECTOR, in reply to M. Jouhaux, pointed out that, if the Governing Body had been able to discuss the two proposals contained in the memorandum thoroughly, it might have been able to state its opinion on them. If the Commission of Enquiry for European Union thought they were likely to lead to useful practical collaboration, it could make proposals for action, and the Director could bring them before the Governing Body.

*The Governing Body, by sixteen votes to nil, instructed the Director to transmit the memorandum on unemployment to the Commission of Enquiry for European Union, together with the Minutes of the discussion which had taken place in the Governing Body.*

(The session closed at 8.30 p.m.)

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INTERNATIONAL LABOUR OFFICE.

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Report of the Unemployment Committee.

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TEXT AMENDED AND ADOPTED BY THE GOVERNING BODY AT ITS FIFTY-FIRST SESSION,  
GENEVA, JANUARY 1931.

I.

The Committee, which is greatly concerned at the increasing gravity of the unemployment problem and its consequences, both from the humanitarian and social point of view and from the point of view of the world economic situation, considers it indispensable to study the causes thoroughly and to try to find remedies capable of practical application.



Considered as a whole, this exceptionally grave unemployment appears to be the cumulative effects of economic and financial disturbances likely to affect more especially certain countries and certain industries. Among these disturbances, there are some which recur with a certain regularity while others have been introduced into the economic system of the world after the war-time and post-war upheavals.

Without wishing to make either a complete or a systematic enumeration, the Committee, desirous of showing the complexity of the problem, draws attention to the following factors which, rightly or wrongly, are often considered as causes of unemployment:

(a) Excessive production of certain agricultural products said to result partly from exceptionally good harvests and partly from an increase in the amount of cultivated land due to faulty estimates of the demand, which is sometimes diminished by under-consumption, leading to inability to sell, to a decrease in the purchasing power of the rural population and consequently to a contraction of outlets for industrial products;

(b) The maladjustment between the production of certain industrial products, such as raw materials and the industrial equipment, and the markets' power of absorption;

(c) The alleged inelasticity in the links whereby effectively purchasing power, as expressed in currency and credit, is held by some to be connected with the world's available gold supply and to have been a factor in the unprecedented fall in world prices;

(d) Lack of confidence which is often said to be the cause of an inadequate distribution of gold, of an imperfect circulation of capital and a restriction in the granting of credits and which by preventing the financing of countries which are in need of capital and the development of the purchasing power of consumers is said to have made it impossible to restrict the fall of world prices;

(e) The fall in the price of silver which is said to have brought about a considerable decrease in the purchasing power of countries whose currency is based on that metal, a purchasing power already reduced by the political conditions in some of those countries;

(f) Too high a cost of production in certain countries as a result of physical, geographical or other conditions;

(g) The disturbances in international commerce caused not only by the development of new industrial areas but also by artificial barriers put in the way of international trade and by the difficulties said to be associated with the problem of political debts;

(h) The difficulties in the way of adjusting movements of population to the possibilities of exploiting the resources of the world;

(i) The disorganisation of the labour market caused by the extra-rapid development of labour-saving machinery and of the process of rationalisation.

## II.

These various causes of unemployment, which are in some cases generally admitted and sometimes the subject of controversy, should be thoroughly studied with a view to bringing out their real importance as well as the importance of methods suitable for mitigating them. These investigations will be carried out by the International Labour Office in co-operation with the League of Nations, experts and other organisations being consulted, if necessary, so as to show in a systematic form the known elements and factors of unemployment. The Committee urges, however, that the International Labour Organisation should immediately strive more than ever, with the help of the employers' and workers' organisations represented in it, to induce Governments to take all immediately practicable steps to preserve the world of labour from the consequences of unemployment.

The Committee therefore desires that the attention of Governments should be called with insistence to the following points:

(a) The need for the organisation of the labour market by public employment exchange services which should collaborate as effectively as possible in the drawing up of systematic schemes for the re-employment of the unemployed and the re-adaptation, if necessary, of discharged workers to the technical requirements of production

(b) The need of developing existing systems of relief and insurance against total unemployment and short-time and the creation of insurance systems where they are not yet in existence, with the means necessary to ensure that they are immediately financed by advances from the State, every effort being made to adapt them to the essential needs of the workers without interfering with the re-employment of the workers in industries capable of activity either at home or abroad.

(c) Undertaking extensive public works of national utility in accordance with programmes previously drawn up and at the same time expanding orders for supplies, so as to counteract the effects of the temporary falling-off of activity in private enterprise; the possibility of Governments coming to an agreement through the appropriate organs of the League of Nations with a view to joint execution of extensive public works of an international character;

(d) International co-operation which will make possible the free movement and placing of men in unexploited regions capable of utilising their activity, and with a view to increasing markets;

(e) The development of suitable methods for ensuring co-operation among the different national economic systems.



III.

With regard to the measures to be taken on the subject of the length of the working day or week and the remuneration of labour, in relation to unemployment, the Committee takes note of the fact that the representatives of the employers and workers hold different opinions at the present time.

The representatives of the workers, while maintaining their demands in connection with the forty-hour week, ask for:

(a) A reasonable shortening of the working day or week, taking into account the increase in output obtained by improved methods of production;

(b) Seeking suitable means of raising the remuneration of labour in countries where it is most inadequate at the present time with a view to eliminating one factor of unfair competition and to increasing the consumptive capacity of certain markets, without neglecting the development of social insurance which preserves a certain power of consumption to workers prevented from earning their living by causes beyond their control.

The employers consider, on the contrary, not only that the measures suggested by the workers would be of no avail, but that they would produce most serious disturbances. They are convinced, on the other hand, that one of the essential measures to be adopted in the effort to restore economic equilibrium should be a reduction of the cost of production and the expenses of distribution so as to enlarge markets by increasing the purchasing power of the whole body of consumers.

As a result of this difference of opinion the Committee invites the Office to pursue its investigations in order to lead at a later date, if possible, to a narrowing of the gap between the two points of view and to positive action.

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*Series of Publications:* 1931.VII.4.

*Official No.:* C.284.M.134.1931.VII.  
[C.E.U.E. 24.]

ANNEX 15.

ECONOMIC DEPRESSION.

MEMORANDUM BY THE SECRETARIAT OF THE LEAGUE OF NATIONS.

*Note by the Secretary-General:*

The Secretary-General has the honour to communicate to the Members of the Commission a brief review, prepared by the Secretariat, of the world economic depression, with special reference to Europe. This document is submitted to the Commission in accordance with Resolution No. VI, adopted at its January session<sup>1</sup>, requesting the Secretariat to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation on this subject.

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**Report on Enquiry into Course and Phases of the Present Economic Depression.**

INTRODUCTORY NOTE.

The Commission of Enquiry for European Union, at its last session, requested the Secretariat of the League of Nations to "acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly".

The relevant passages of the resolution of the Assembly to which allusion is made read as follows:

"The Assembly . . . resolves that the Economic and Financial Organisation of the League . . . should undertake the study of the course and phases of the present depression and the circumstances which led up to it, and for this purpose it should collect the information compiled by institutions already in existence in different countries, centralise such information and, where necessary, fill up any gaps that exist.

"It also recommends that, in connection with these investigations, account should be taken of the results of the enquiry conducted by the International Labour Office into

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<sup>1</sup> See *Official Journal*, February 1931, pages 209 and 473.

unemployment and the work of other competent international bodies on this subject, in order that the Economic and Financial Organisation, having collected all the available information, may examine at the right moment the advisability of international action, due regard being had to the economic, financial and demographic aspects of the labour problem, including the question of raw materials."

In execution of this recommendation, the following action has been taken. A document setting out the plan of procedure proposed was submitted to and approved by both the Economic Committee and the Financial Committee.

A meeting was held on March 2nd of representatives from a number of the national institutions alluded to above. At this meeting, the general plan or outline of the report to be prepared was agreed, and a number of the institutions further undertook to prepare brief special notes as material for this report. These notes are to be drafted on an approved scheme, and should reach the Secretariat during the course of the present month. The question will further be discussed by the Economic Consultative Committee when it meets.

It is proposed to hold a further meeting of national institutes in the early summer and to submit a report to the Assembly in September next.

It will be observed that the Economic and Financial Organisation, according to the last part of Resolution 16 of the Assembly quoted above, is to examine into the advisability of international action concerning unemployment when all the available information has been collected. In accordance with this instruction, the Economic Committee decided to consider this question when the definitive report on the course and phases of the present economic depression is ready.

In view of the fact that the final report will not be finished for some months yet, it has been thought that the Commission of Enquiry for European Union might desire to have laid before it a brief preliminary note on certain aspects of the present depression. It should be made clear that the attached note on this subject is essentially preliminary in character, and has been drafted before either the study of the information available or the consultations envisaged have been completed. It has been drafted, moreover, with special reference to European conditions. The depression is, however, worldwide, and it was impossible to confine the report strictly to Europe.

## I. THE ECONOMIC SITUATION IN 1928.

### (a) *Economic Progress up to 1928.*

The war and the political changes and disturbances immediately following it affected in many ways the basic conditions of economic life. State debts had been enormously increased, new frontiers had been created. Russia had changed its economic and social system, the United States of America, from being a debtor, had become a credit or nation, second in importance only to Great Britain. New industries had been built up in overseas countries, while in Europe an enormous destruction of capital had taken place. These and other new conditions called for a profound readjustment of the whole economic life. The necessary adaptation was, to a large extent, effected during the first five or six years after the war, but it could not be completed in so brief a period of unsettled years. At the beginning of 1925, the monetary systems of a number of European countries were still disorganised. Inflation continued in some countries, while others pursued a more or less deliberate policy of deflation. But, in view of difficulties which had to be faced, the degree of "normalisation" and balance in economic life obtained by 1925 or 1926 was perhaps more complete than might have been expected.

Indeed, this period of recovery laid the foundations for a world economic progress of a rapidity which had perhaps never before been witnessed. In the three years 1925 to 1928, the output of foodstuffs and raw materials increased by 8 per cent and the quantum of world trade by about 15 per cent. It is probable that the output of manufactured goods rose at least as fast as that of raw materials—*i.e.*, 9 per cent.

The progress was especially rapid in Europe. The increase in the production of raw materials on that continent was second only to that of South America, while the production of raw materials and foodstuffs taken together advanced more rapidly in Europe than in North America, Africa or Asia. Further, there is reason to believe that the activity in manufacturing industries increased at a higher rate in Europe than in other continents.

During these three years from 1925 to 1928, the readjustment of economic life to the new conditions continued. Almost all countries which had not already done so placed their currency on a gold basis, thus eliminating violent exchange and price fluctuations. Equally important is the fact that international capital and credit transactions on a commercial basis, as distinguished from State borrowings, reached large dimensions. British, American and French capital—to some extent also capital from Sweden, Switzerland and the Netherlands—flowed into the countries suffering from a shortage of capital on the Continent of Europe and elsewhere, making possible rapid readjustment and reorganisation of industry and trade. In 1928, the net foreign lending of capital-exporting countries amounted to about \$2,300 millions, of which a little more than 40 per cent went to Germany. Indeed, a casual observer of world economic conditions in 1928 might well have come to the conclusion that everything was, if not well, at least improving rapidly, and that the prospects for the future were, in most countries at any rate, rather reassuring than otherwise. It is true that unemployment figures were in most countries substantially higher

than before the war, but this was partly due to more complete and reliable statistics; it was partly due to the first effects of the process of rationalising industry, though in some countries the causes were more profound.

(b) *Maladjustments in Production and Trade.*

But, in fact, the position was much less stable and balanced than it appeared. It is quite possible that the impression of "normality" was to a large extent due to the fact that certain of the readjustments which new and profound changes in the structure of economic relations called for had not been made. Thus, so long as a tendency to partial over-production is met by increasing stocks the day when a troublesome shift in production has to be made is put off. In the case of many commodities this is what happened, stocks growing to unusually high levels.

A second factor which helped to conceal the elements of maladjustment in 1928 is the fact that in several countries, especially in the United States, business was enjoying a boom similar to those experienced during pre-war business cycles—e.g., in 1899 and 1906. This boom exercised a certain stimulating influence in other countries. The maladjustments in industries producing raw materials and manufactured goods did not make themselves fully felt so long as this state of exceptional demand lasted.

It may be convenient to review, first, the maladjustments in the production of crude food products and to begin with cereals. Here a tendency to over-production was evident in 1928. Supply tended to rise rapidly under the influence of several different factors. First, the technical improvements in the production of cereals in the last two decades, although not subject to so much newspaper discussion as the so-called rationalisation in manufacturing industries, had been no doubt of far-reaching importance. Farmers were better educated and used better methods of cultivation than before the war. The quality of the plants and the methods of fertilisation had been improved owing to a more lavish and well-balanced use of artificial fertilisers. In many countries the use of tractors, motor-harrows and ploughs and combined harvester and threshing machines had increased rapidly. The number of tractors in the United States of America was almost trebled between 1920 and 1928.

These changes tended in certain cases to increase the output of cereals on land already under cultivation, in others to make possible and profitable the cultivation of new land. The shortening from 130 to 100 days of the period required for wheat to mature had moved the northern frontier of wheat cultivation in Canada 200 miles north. Further, the cultivated area had already grown in the overseas countries during the war owing to the insistent demand from Europe. It is no wonder, therefore, that the output of cereals expanded rapidly in several of these countries. In Canada, the average for the years 1924 to 1928 was 433 million bushels, as against 197 million bushels in the period 1909 to 1913. In the Argentine, the corresponding figures were 250 and 147; in Australia, 144 and 90, and in the United States of America, 841 and 690 million bushels. Although the production of other cereals grew less rapidly, the total output of all cereal foods was certainly increasing considerably faster than the world population.

The tendency towards increased supply of cereals available for human consumption was strengthened by the fact that the number of horses in the world was reduced, their place being taken by motor-cars and tractors. Further, live-stock was fed relatively less on cereals and more on oil-cake, etc.

While production increased, for the reasons indicated, chiefly outside Europe, countries in Europe gradually restored their acreage under corn. After 1925, when the pressure made itself felt, tariffs, which at that date were generally lower than in 1913, were gradually raised, and in some cases export bounties were granted. These measures, which were intended principally to give economic assistance to the farmers, had the unfortunate effect of increasing output of the very goods—cereals—for which the tendency towards over-production was stronger than for most other food products.

During the period in question, not only supply but also demand did, of course, rise. Population continued to grow, although less rapidly than before the war. However, the consumption per head did not, on the average, increase. On the contrary, in the United States and several other countries the consumption of bread per individual declined as the standard of living rose and less muscular effort was needed in work. People needed less calories and could afford a more varied diet. According to a recent unofficial estimate,<sup>1</sup> which does not claim to be more than approximate, there was a reduction in wheat consumption per head between 1909-1913 and 1925-1928 of 5 to 6 per cent in Germany and Great Britain, 10 to 11 per cent in France and over 14 per cent in the United States.

The result of these changes was, as already indicated, a tendency to over-production of cereals. In 1928, this tendency was beginning to have its effects. Cereal prices were about as

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<sup>1</sup> *Bulletin of the National Bank of Czechoslovakia* (January 1931, Supplement).

high in relation to the pre-war level as those of goods in general, but the trend of prices was downwards and stocks were rising. The good crop of 1928 brought the carry-over of wheat in December up to as much as 15.8 million tons, compared with 8.8 million tons three years earlier. Incomes of farmers naturally began to fall, which was all the more serious, as they had not, like incomes derived from manufacturing industries, been rapidly rising since the war. The financial position of many farmers was weak. In some countries money had been borrowed when its value was lower than in 1928, and in others the rate of interest was several times as high as before the war, two circumstances which contributed to weaken the financial position.

The situation was quite different as regards animal foodstuffs. Consumption of meat, butter, eggs and cheese grew rapidly as general purchasing power rose. Production increased also, but it was less affected by technical changes and artificial stimuli than the output of cereals. Prices in the period 1924 to 1928 were relatively higher than for cereals, and the economic position of farmers in countries specialising in animal foods was relatively favourable.

Sugar was subject to tendencies similar to those described for cereals. Rapid technical improvements in countries producing cane sugar, especially Java, led to a great reduction in costs and an increase of output to almost double the pre-war figures. In many European countries, beet-sugar production became unprofitable, but was maintained by various forms of duties and State subsidies. The tendency to over-production was very obvious in 1928, and prices were falling.

Among the leading colonial products, tea held a special position, its price being relatively high, in spite of a substantial increase in production. For cocoa and coffee, on the other hand, the tendency towards over-production was strong and prices showed a downward trend. Coffee stocks were accumulating rapidly, and the outlook for countries dependent largely on the coffee crop was clearly unfavourable.

Table I. — Stocks of Certain Staple Food Products.

Commodity	1924	1925	1926	1927	1928
Wheat <sup>1</sup> (bushels, 000,000's) . . .	192.2	139.3	145.7	181.1	227.5
Sugar <sup>2</sup> (long tons, 000's) . . .	2,708 <sup>3</sup>	3,709 <sup>3</sup>	3,634	4,062	4,271
Coffee <sup>2</sup> (bags, 000's) . . . . .	9,663 <sup>4</sup>	9,547	10,901	18,388	18,723 <sup>5</sup>

<sup>1</sup> August 1st.  
<sup>2</sup> January 1st of following year.  
<sup>3</sup> Exclusive of interior stocks in Cuba.  
<sup>4</sup> July 1924.  
<sup>5</sup> Including 585,000 bags in the interior of Rio de Janeiro. Figures for stocks in this district were not available for earlier dates.

Sources: Wheat, "Wheat Studies", Stanford University.  
 Sugar and Coffee, London and Cambridge Economic Service.

Thus, it would appear that tendencies towards over-production of cereals, sugar and certain colonial foods were evident, especially after the good harvest of 1928.

In the case of raw materials, the position was less clear. In many countries at any rate—the United States may be an exception—the prices of raw materials had been relatively low compared with those of manufactured goods during the whole period since the post-war slump of 1920–21. During the years immediately preceding 1928, however, this price discrepancy has been reduced. If for the majority of the producers of raw materials prices covered the costs of production, this price discrepancy would constitute no proof of over-production. Moreover, the reduction in the discrepancy would suggest that, in so far as it was an indication at all, the risk of over-production was gradually diminishing up to about the end of 1928. However, in the light of the subsequent experience it is evident that, for certain raw materials, there was already a tendency for production to exceed the demand. The following table showing the growth of stocks illustrates the tendency towards over-production which existed in certain cases.

Table II. — Stocks of Certain Staple Raw Materials.<sup>1</sup>

Commodity	1924	1925	1926	1927	1928
Lead <sup>2</sup> (long tons, 000's) . . .	78	93	113	139	144
Rubber <sup>2</sup> (long tons, 000's) . . .	181	182	259	272	239
Cotton (bales, 000's) . . . . .	2,758	3,274	5,440	7,471	5,015

<sup>1</sup> Lead and rubber: end of year. Cotton: stocks on August 1st.  
<sup>2</sup> United States of America.  
<sup>3</sup> Total supply outside plantations.

Source: London and Cambridge Economic Service, Special Memorandum No. 32.

The increase in output and stocks of these raw materials was accompanied by a fall in price. Even in the case of some raw materials which did not fall in price, there may have been some tendency towards over-production. Had this not been so, prices of raw materials might have been expected to rise during the boom period. It seems impossible to escape the conclusion that, in respect of the production of certain raw materials, as also of certain crude food products, forces were at work—forces which had very little to do with the disturbances caused by the war—which were bound to create a serious maladjustment as soon as the policy of increasing stocks broke down.

Table III. — World Smelter Production.

(Metric tons, 000's omitted.)

Commodity	1925	1926	1927	1928	1929
Copper . . . . .	1,418	1,485	1,551	1,756	1,981
Tin . . . . .	150	152	163	185	195
Lead . . . . .	1,560	1,654	1,760	1,755	1,802
Spelter . . . . .	1,133	1,219	1,307	1,406	1,459

Source: League of Nations, *Statistical Year-Book*.

The maladjustment in the manufacturing industries was of a somewhat different nature. It, too, was obscured by the business boom. Technical changes were taking place rapidly, increasing the capacity of production in almost all lines of industry and calling for a deep-going readjustment. It is now evident that this readjustment—*e.g.*, the necessary transfer of labour from one industry to another or the closing down of obsolete and superfluous factories—was only partly carried out.

To the surplus capacity in certain manufacturing industries, due to the above-mentioned circumstances, must be added one of another sort if a true account is to be given of the situation in 1928. The establishment of new national frontiers and tariff barriers after the war had made it difficult or impossible for many manufacturing firms to sell in their former markets. In all European industrial countries certain industries were left with a surplus capacity due to the erection of new tariffs and the raising of the old ones.

A similar development took place already during the war as between Europe and the overseas countries and continued afterwards. Cut off from European supplies, these countries developed their own manufacturing industries, and demand for European goods was thereby restricted. This was felt, above all, by Great Britain, which had organised its industry for a large export to these countries. Even by 1928, complete adjustment to these new conditions had not been accomplished.

Finally, a maladjustment in the relation of the price and wage-levels in certain countries to those in other countries still existed. Thus, Great Britain and Italy had returned to the gold standard at a somewhat higher rate than that which corresponded to their interior price- and wage-levels. The corresponding deflation of domestic values proceeded very slowly, and does not seem to have been finished in 1928. On the other hand, domestic prices and wages in France and Belgium were still relatively low, expressed in gold.

In view of these circumstances, and the lack of balance which they reflect, any factors tending to weaken the force of general industrial activity might be expected to have a more far-reaching effect than they would have had in a better balanced economy.

## II. THE TURN OF THE BUSINESS CYCLE IN 1929.

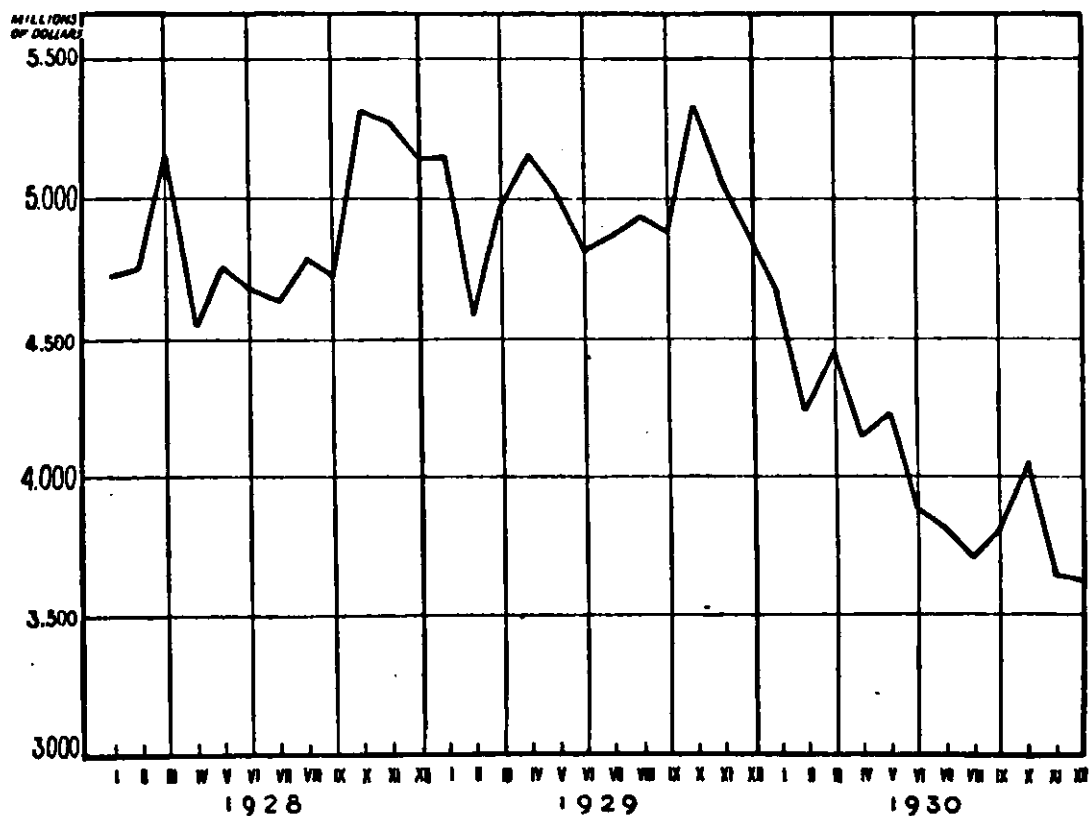
Profound changes in the technique of production, in commercial policy or in the politico-economic structure are usually regarded as being of a different kind from those which are involved in the so-called business cycle—*i.e.*, the recurrence at fairly regular intervals of alternating periods of prosperity and depression. A failure to adapt industry and trade to the former changes is, therefore, often called "structural maladjustment" as distinguished from the maladjustments arising out of the business cycle, with its recurrent booms and depressions. As indicated above, tendencies towards a structural maladjustment had been at work during the years immediately preceding 1929—in some cases they date from many years back—but their existence had to some extent been concealed or forgotten, and their effects partly offset by the business cycle boom in the United States and elsewhere, which exercised a stimulating influence on the world economic situation in general. It is natural that the turn of the business cycle and the beginning of a business cycle depression should open the doors for the delayed effects of the structural maladjustment. This is what happened in 1929 and 1930.

Not all countries experienced a clearly marked business cycle. The boom was accompanied by—perhaps partly caused by—a great expansion of credit. Many countries succeeded in escaping the extreme speculation which was experienced in the United States in 1928-29. Further, in some

countries, unfavourable circumstances, of which some have been mentioned above, had been so potent that the upward swing of business was restrained or retarded. In other countries—for instance, in Germany and Finland—a falling off in business had made itself felt in the beginning of 1928, largely under the influence of credit stringency; while, in certain countries producing and exporting crude food products and raw materials, business in general felt the depressing effects of the heavy drop in the prices of their export goods.

It was in the early autumn of 1929 that the decisive turn came when the boom broke in the United States and gave place to a severe depression. Up to that time world trade and probably world production was expanding; since then they have been rapidly declining.

THE VALUE OF THE INTERNATIONAL TRADE OF FORTY-FIVE COUNTRIES.



It is neither possible nor necessary to enter here upon a discussion of the various opinions held about the causes of the recurrence of business cycles in general or of the explanation of the turn of the cycle in the United States in 1929. It is more important at the moment to consider, not why a business depression followed upon the boom, but why that depression should be as intense and widespread as it is.

The answer to this question is partly given above: A delayed adjustment to the new structural conditions had to be made. Moreover, the existence of a profound structural maladjustment made the situation unstable and lessened the power of resistance to disturbing and depressing tendencies, more or less connected with the business cycle. An account of the course of events will bring this out more clearly.

During the twelve months before the crash on the New York stock market in October 1929, speculation in shares and real estate was growing more and more intense. Attempts by the Federal Reserve authorities to stop it failed. Money rates on the New York money market rose to exceptional heights. In the first nine months of 1929, call-loan rates averaged 8 to 9 per cent. They rose on occasion as high as 20 per cent. As a consequence, American lending abroad began to fall off and some of the money invested in other countries was called back. At the same time, European funds were transferred to New York, in order to profit from the high interest rates or to take part in the speculation. Money markets in Europe and elsewhere became stringent, discount rates were raised and credit in general was restricted. The effects were, of course, felt most severely in the borrowing countries, which had adapted their economic life and international economic relations to an inflow of foreign capital that was now suddenly checked. Unfortunately, a number of these borrowing countries—the Argentine, Brazil, Australia, Hungary, Roumania and others—were largely exporters of those food products, the prices of which had in previous months been subject to a heavy decline. Thus, in these countries, the supply of foreign exchange fell off for a double reason, and great difficulties in balancing their international accounts arose. The effects of the consequent credit restriction was that large stocks of staple commodities, such as coffee, wheat, etc., were thrown on the market. Potential buyers, however, under the influence of falling prices, restricted credit, and falling stock markets were reluctant to buy, thus further aggravating the fall in the prices of crude food products.



Table IV. — World Market Prices of Crude Food Products.

Commodity	Beginning of month		
	September 1929	December 1929	March 1930
Wheat <sup>1</sup> . . . . .	128 <sup>7</sup> / <sub>8</sub>	124	109
Maize <sup>2</sup> . . . . .	36s. 1d.	29s. 6d.	24s.
Coffee <sup>3</sup> . . . . .	16 <sup>1</sup> / <sub>4</sub>	10 <sup>1</sup> / <sub>4</sub>	10 <sup>3</sup> / <sub>4</sub>

<sup>1</sup> Winter in Chicago, cents per 60 lb.  
<sup>2</sup> Yellow Plate in Liverpool, shillings and pence per 480 lb.  
<sup>3</sup> Rio No. 7 in New York, cents per lb.

Source: *International Year-Book of Agricultural Statistics, 1929-30, Rome.*

At the same time, the situation of manufacturing industries grew worse with the advance of the business cycle depression, in particular, after the crash on the New York Stock Exchange in October 1929. As always happens in such cases, traders and manufacturers reduced their purchases of raw materials, preferring to lower their stocks and buy only from hand to mouth. This curtailment of demand naturally led to a fall in the prices of raw materials also, which became all the more severe as a result of the widespread uncertainty and pessimism which prevailed.

Table V. — World Market Prices of Certain Raw Materials.

Commodity	September 1929	December 1929	March 1930
Copper <sup>1</sup> (standard cash) . . . . .	75.4	68.4	69.3
Tin <sup>1</sup> (standard cash) . . . . .	204.9	179.5	165.0
Lead <sup>1</sup> (soft foreign loco) . . . . .	23.6	21.5	18.8
Wool <sup>2</sup> (tops, English carded, 50's average) . . . .	25.1	23.9	18.6
Rubber <sup>2</sup> (standard ribbed smoked sheet) . . . . .	10.5	7.9	7.5

<sup>1</sup> £ per long ton, London.  
<sup>2</sup> Pence per lb.

Source—*Kommersiella Meddelanden, Stockholm.*

The mutual actions and reactions of the so-called structural maladjustments and the business cycle recession on one another are difficult to ascertain, but events would appear to have taken some such course as the following. A partial over-production of certain crude food products—wheat, coffee, etc.—led to a drop in their prices and in the incomes of many overseas and Eastern European countries towards the end of 1928 and in the following year. So long as considerable expansion of business and incomes took place in the manufacturing countries at the same time, the world price-level was largely maintained. When, however, incomes in the United States and several other manufacturing countries began to decline rapidly, the offsetting tendency disappeared. Consequently, the expected world income was reduced both in agriculture and in manufacturing industries. Potential buyers acted on the assumption that they would have less purchasing power than usual in the near future and restricted their purchases. In that way, the surprisingly heavy decline of the general price-level became possible. As it proceeded, not only crude food products but also most raw materials fell rapidly in price. Demand for raw products falls off more than consumption during the first period of a depression, as manufacturers and middlemen are anxious to reduce their stocks. Owing to this price reduction, the incomes of primary producers further declined.

The prices of manufactured commodities sank less rapidly, and in consequence, the incomes of the producers of primary commodities declined more rapidly than those of industrial communities—for instance, in Western Europe. The latter, however, could not but feel the effects of a reduced demand from countries dependent upon the sales of primary products. Output of manufactured goods was reduced and unemployment grew to appalling figures.

This difference between the rate of the fall in prices of primary commodities and of manufactured articles respectively is a common characteristic of all economic depressions, and is due, amongst other reasons, partly to the fact that larger stocks of raw materials than of manufactured articles are normally held, and partly to the fact that the agriculturist cannot curtail his production so rapidly as can the industrialist.

It is probable that some business recession would have come in 1929 and 1930, even had there been no structural maladjustments of the sort described above. On the other hand, even

in the absence of a business cycle, a difficult and troublesome readjustment to the new conditions of technique, demand, tariffs, etc., would have had to take place, and this readjustment would have adversely affected business conditions in most countries, at least in 1929 and 1930. It was the simultaneous occurrence of the two kinds of disturbance to which the severity of the depression must be largely attributed. Facts of particular importance would seem to be that international capital movements were completely changed in 1929, and that the countries most sensitive to this change were those which suffered most from the drop in price of important commodities.

While a severe depression in 1930 would seem to have been the inevitable outcome of these circumstances, it does not follow that a decline in the wholesale commodity price level to anything like the actual figures was inevitable.

Table VI. — *The Wholesale-Price Level in Certain Countries.*  
(1913 = 100.)

Country	1928	1930	February 1931
United Kingdom (Board of Trade) . . . . .	140.3	119.5	106.2
United States of America (Bureau of Labour Statistics) . . . . .	140.0	123.6	108.1
Germany (official) . . . . .	140.0	124.6	114.0
France (official) . . . . .	126.3	108.7	97.8

Source: *League of Nations Monthly Bulletin of Statistics.*

The reasons for this unusually severe drop in prices, which has undoubtedly aggravated the crisis, will be discussed subsequently. Before that, however, it may be well to give a brief account of the actual characteristics of the development in 1930 and 1931.

### III. AN ACCOUNT OF THE DEPRESSION.

#### (a) *Production, Trade, etc.*

In the autumn of 1929, many competent observers expected the depression to be of short duration. At one time in the spring of 1930 there seemed to be indications that this expectation would be fulfilled. In manufacturing industries in the United States of America there was a substantial revival, which exceeded the ordinary seasonal recovery. This recovery, however, was short-lived, and the depression gathered new strength in the latter half of 1930. The seasonal recovery in the spring of 1931 has been rather less than usual. In other words, production and price curves—after elimination of seasonal variations—have continued downwards, although the rate of decline was considerably checked towards the end of 1930 and the beginning of the present year. It is, however, too early to judge whether this slackening of the pace is due to seasonal influences or for any other reasons is a temporary phenomenon.

The following table shows the quarterly movement of the volume of production in manufacturing industries in some important countries.

Table VII. — *General Indices of Production.*  
(1928 = 100.)

Countries	1929				1930			
	I	II	III	IV	I	II	III	IV
France (Statistique générale) . .	108	110	109	112	113	113	109	106
Germany (Institut für Konjunkturforschung) . . . . .	95	109	103	100	93	89	80	75
United Kingdom (London and Cambridge Economic Service)	106	108	106	112	107	98	88	90
United States of America (Federal Reserve Board) . . . . .	107	112	111	98	95	93	83	76

The reduction in world trade is illustrated by the chart shown above. Different parts of the world and different countries have, of course, been very differently affected. As was to be expected in view of the price movements which have been described, countries producing crude vegetable food products and raw materials seem to have suffered more than manufacturing countries. Consequently, Europe has felt the depression less than other parts of the world. During

the first nine months of 1930, the international trade of European countries fell short of the figure of the previous year by 12 per cent, whereas the reduction in the international trade of extra-European countries declined by 23 per cent. In the last quarter of the year the new reduction was, however, of the same relative proportions in Europe as elsewhere.

Up to that time, European industrial countries were suffering largely from the secondary reactions of the depression which at first affected more directly other parts of the world. As the depression increased in intensity, however, its effects became cumulative and the demand for manufactured goods, not only by producers of primary commodities, but also by the industrial States themselves, gradually fell off. As prices of manufactured goods have fallen relatively little compared with a drop of 40 to 50 per cent in most primary products, Europe evidently is in a position to exchange its manufactured goods against raw materials and crude food products at much more favourable terms than before the depression. To pay for a given quantity of the latter, a much smaller quantity of manufactures has to be exported. It is highly significant that the quantity of imports in European countries in 1930 seems to have been almost as large as in the previous year, whereas the quantity of exports was probably about 10 per cent smaller. As between European manufacturing nations and countries exporting cereals and raw materials, the change in the terms of trade to the advantage of the former is something like twice this figure. To a not inconsiderable extent the reduction of output in European manufacturing industries, and the consequent unemployment, corresponds to the decline in the quantity of such goods which Europe must send to other parts of the world to pay for imported food products and raw materials.

That, at any rate, the industrial countries of Europe have not been so seriously affected as most of the rest of the world is corroborated by a closer analysis of the trade in different groups of commodities. According to the somewhat inadequate data available, the reduction in the volume of raw materials imported would seem to be considerably greater in extra-European than in European countries, which indicates a greater reduction of manufacturing activities in the former. Equally significant is the fact that the European exports of manufactured goods to European countries has declined comparatively little in 1930, whereas the export to other countries has fallen heavily.

Those European countries, however, whose economic forces are mainly devoted to the production of cereals have felt the full brunt of the depression and, in the majority of industrial States, there has been an unprecedented falling off in effective employment.

Table VIII. — Unemployment in Germany, Italy and the United Kingdom.

(ooo's omitted).

Country	1929, February	1930, February	1931, February
Germany <sup>1</sup> . . . . .	3,050	3,366	4,972
Italy <sup>2</sup> . . . . .	505	483	792
United Kingdom <sup>3</sup> . . . . .	1,454	1,583	2,697

<sup>1</sup> Number of unemployed registered.

<sup>2</sup> Number of unemployed registered (totally and partially unemployed).

<sup>3</sup> Compulsorily insured workers, wholly or partially unemployed.

Source: League of Nations *Monthly Bulletin of Statistics*.

In studying such figures, one must bear in mind that, for many reasons, they are not internationally comparable; they should be used rather for a comparison of the situation in the same country at different times. A study of figures from which seasonal variations have been eliminated shows that unemployment increased rapidly in the last quarter of 1930 and did not decline in the first quarter of 1931.

Even if it were possible to compare the national unemployment figures, they would give no certain indication of the relative severity of the crisis in different countries. The number of working hours per week has been reduced far more in certain countries than in others. Further, even if complete and reliable figures for short time and unemployment were available, it would be a mistake to suppose that countries with low figures necessarily suffer less from the depression than others. On the contrary, the national income in manufacturing countries has dropped much less than in cereal-producing countries, many of which have little unemployment.

It would fall outside the scope of this review to analyse the position of the different industries. Some of them are naturally more depressed than others. In 1929 and the first half of 1930, industries manufacturing producers' goods—iron and steel, machines, building materials, etc.—seem to have reduced output less than those producing consumers' goods. Especially in the textile industry, prices and output declined rapidly. After the summer of 1930, the tendency has, however, reversed, and the output of producers' goods has fallen off more than that of consumers' goods. This may be partly due to the fact that, in the first half of 1930, retailers reduced their purchases more than their sales in order to diminish stocks. From the third to the fourth quarter of 1930, the volume of production in the iron and steel industry of the world declined by about one-seventh. This development is probably, to a large extent, due to the fact that the volume of real investment

kept up fairly well in the first half of the year; the building industry, for instance, was active in many countries. Later, when investments decided upon earlier had been completed and few new ones were started, the production of capital goods naturally declined rapidly. The development was not, of course, the same in all countries. The mechanical engineering industry in a country like the United States, where the boom expansion was great, has reduced its output in 1930 to half the 1929 figure. In Great Britain, the reduction was probably only about 10 per cent, in Germany about 15 per cent, whereas in France it maintained about the same level of production in 1930 as during the previous year. Similarly, the manufacture of motor cars has declined much more in the United States than in Europe—namely, by 37 per cent as against 11 per cent. The reduction was greater in Germany and Italy than in Great Britain and France. Among industries which increased their output during 1930 is shipbuilding; the total tonnage of ships over 100 tons launched rose by 3.4 per cent. In Europe, the tonnage launched was the same as in 1929. It seems certain, however, that it will decline heavily in 1931. In the beginning of that year the capacity of British wharfs was utilised only to 25 per cent. The world tonnage under construction sank from 3.3 million tons measurement at the end of the first quarter of 1930 to 2 million tons at the end of March last.

The violence of the crisis is clearly reflected in the Stock Exchange quotations. The level of shares in general fell from the various maxima reached in 1928-29 by the following percentages in the countries shown in the following table. It should be noted that, in several countries, the decline started as early as 1928.

Table IX. — Percentage Reduction in Indices of Stock Exchange Securities.

United States	United Kingdom	France	Germany
From September 1929 to December 1930	From January 1929 to December 1930	From February 1929 to December 1930	From June 1928 to December 1930
Per cent	Per cent	Per cent	Per cent
52.8	33.6	36.3	47.3

Sweden	Switzerland	Netherlands
From July 1929 to December 1930	From September 1928 to December 1930	From March 1929 to December 1930
Per cent	Per cent	Per cent
29.3	30.7	52

Sources: France: *Statistique générale*.

Other countries: League of Nations *Monthly Bulletin of Statistics*.

The stocks of staple commodities reflect at once one of the causal factors of the depression and its gravity. As indicated above, stocks of many commodities were exceptionally high before the autumn of 1929. Since then, the all-round decline in effective demand has been greater than the reduction of supply—in spite of a bad harvest of some cereals in 1929—so that stocks have been rising to still higher levels, as shown by the table below.

Table X. — Stocks of Staple Commodities.<sup>1</sup>  
(Beginning of Month.)

Commodity	July 1929	January 1930	July 1930	January 1931	March 1931
Cotton <sup>2</sup> (1,000 bales) . . . . .	3,096	3,622	4,970	6,471	6,787 <sup>6</sup>
Copper <sup>3</sup> (1,000 long tons). . . . .	315	401	522	535	519
Spelter (1,000 long tons). . . . .	34	73	109	140	142
Rubber <sup>4</sup> (1,000 long tons). . . . .	299	383	430	511	533
Sugar (1,000 long tons). . . . .	4,779	5,473	6,156	6,877	7,573
Coffee (1,000 bags) . . . . .	14,259	25,063	28,424	29,309	28,459
Nitrate (1,000 long tons) . . . . .	1,653	2,516	2,249	—	—
Wheat (1,000 metric tons) . . . . .	13,803 <sup>5</sup>	15,708	11,209	16,373	—

<sup>1</sup> Except in the case of sugar and coffee, the series in this table are not as complete as those shown for previous years in Tables II and III.

<sup>2</sup> Total supply seasonally corrected, exclusive of European and Asiatic mill stocks.

<sup>3</sup> Total supply outside hands of consumers, less Japan stocks.

<sup>4</sup> Estimate of world's stocks by Rubber Growers' Association.

<sup>5</sup> End of September.

<sup>6</sup> Provisional.

Sources: London and Cambridge Economic Service. For Wheat: *Wochenbericht des Instituts für Konjunkturforschung*, March 18th, 1931.

These figures cover only the so-called visible stocks and do not include stocks in the hands of producers. It is almost certain that the latter have been much reduced, but by how much it is impossible to say. For manufactured goods, even less complete figures are available. It seems practically certain, however, that inventories of such goods in the hands of the retail trade have fallen off. The decline in retail stocks is of great importance and should tend substantially to strengthen the whole economic situation; for, while these stocks were being reduced, the community as a whole was consuming more than it was producing of certain goods, and in other cases visible stocks in the hands of wholesalers tended to increase. Owing to the consequent weakening of its demand for further production, prices and employment naturally fell off. Once, however, retail stocks have been brought down to their irreducible minimum, this cause of a reduction in demand for new products must disappear and prices should be steadied. Once the decline in prices has stopped and the retailer feels himself justified in raising his stocks again to more normal dimensions, a temporary increase in demand in excess of consumption is to be anticipated.

(b) *The Development of Prices.*

The violent reduction of wholesale prices during the last two years has come as a surprise to most economic authorities. As prices rose very little during the upward swing of the business cycle, and in some countries even declined, they were led to expect only a moderate price decline during the downward swing. This expectation, unfortunately, was not realised. The heavy drop in the wholesale-price indices has been shown in Table VI above.

Of foodstuff prices, those of cereals have dropped much more than those of animal foods. Since the summer of 1929, the price of Canadian wheat has declined almost 60 per cent. The prices of rice and coffee have fallen by about 50 per cent. As many foodstuff prices began to decline rapidly as early as 1928, the reduction since that year has been even greater. In Great Britain, the whole group of food prices has declined by one-third, in spite of the fact that prices of animal foods, like butter, eggs and cheese, have been fairly well maintained. The price of Danish butter in March 1931 was only 23 per cent below the 1928 average.

But, when discussing food prices, the fact should not be overlooked that world market prices are not at all representative of conditions in most countries, owing to high and—in recent years—rapidly rising import duties on grain. In several European countries the prices of cereals in 1930 were almost as high as in the preceding year. The average price at which wheat has been sold by farmers in many countries on the European continent—but not, of course, in Eastern European countries—has probably not declined more than the prices of animal foods. The cereal-exporting countries have thus suffered both absolutely and relatively.

On the world markets, the prices of raw materials have shown a movement similar to that of vegetable foods. Prices of cotton, raw silk, wool, jute, rubber, hides, tin and copper have all dropped to about one-half those ruling two years ago. The important exceptions are coal and iron and steel. British coal (best large steam D.C.B., Newcastle) was quoted at 13s. 6d. per long ton in 1928, 15s. in 1929, and 13s. 2d. in the first quarter of 1931. British pig-iron has delined by about 20 per cent since 1929, while in the United States and Germany the prices have declined only about 10 per cent. In certain cases, the fact that the prices of some of these commodities, which during the depressions in the last two decades of the nineteenth century used to show reductions of 40 to 50 per cent, have declined relatively so little is largely due to the influence of agreements between producers. In others, such as coal, a contributing factor is that prices were already very low in 1928.

The effects of price regulation by producers is seen very clearly in Germany, where the prices of those raw materials and semi-manufactured goods which are more or less independent of world market prices dropped only about 11 per cent from the autumn of 1929 to the end of 1930, whereas prices governed by world competition fell about 32 per cent. While the prices of the former group were more than 20 per cent over the 1913 level towards the end of 1930, prices of the latter group were 15 per cent below that level.

Wholesale prices of raw materials have, as usual in periods of depression, dropped more than those of finished goods. In this respect, however, conditions vary a great deal from country to country. In Germany, the prices of consumers' goods fell 16 per cent from the autumn of 1929, and the prices of corresponding raw materials 45 per cent. In Sweden and Denmark, on the other hand, the prices of finished goods seem to have declined almost as much as those of raw materials. Other countries show figures lying between these two extremes. In several countries, prices of semi-finished goods have dropped more than those of raw materials.

Price agreements between producers are also partly responsible for the fact that the prices of goods which are not subject to international trade have fallen less than import and export prices.

Retail prices have lagged somewhat behind wholesale prices. A drop in the latter does not usually, at least not in the first instance, lead to a reduction in the retail margin—*i.e.*, the sum the retailer requires in payment for his services. Thus, the percentage drop in retail prices is smaller than in wholesale prices. Further, the retail price at a certain date refers to a commodity which is purchased by the retailer at an earlier date when wholesale prices were higher. There is also an element of monopoly in the position of a retail trader which makes it possible for him to profit from the conservatism of his customers. In food-exporting countries, retail prices of foodstuffs have declined 15 to 20 per cent; in Hungary and Bulgaria, as much as 25 per cent from the 1929 average level. Elsewhere, the reduction has been a little less, chiefly owing to increased import duties.

The shrinking of the volume of international trade has, of course, meant a falling off in the demand for tonnage and brought about a considerable decline in freight rates. The *Economist's* index number, which lay, on an average, a little under 100 in 1928, was approximately 80 in 1930.

Nominal wages of manufacturing workers have remained almost unchanged in most countries. In Great Britain, the index number shows a drop of 2 per cent. In the United States of America, average weekly earnings had declined by about 10 per cent by January 1931; the reduction in nominal wage rates has, of course, been less. In Germany, where wages rose rapidly between 1926 and 1929, the reduction has since been small. The wage-index for industries producing capital goods rose by about 26 per cent from January 1st, 1927, to January 1st, 1930, and declined only about 1 per cent in 1930. In industries producing consumers' goods and in transportation there has, according to the statistics available, been no reduction at all. Even in countries where the greatest reductions have taken place, they have not completely offset the fall in the cost of living. Consequently, *real* wage rates of the employed workers have been rising, although probably a little less than the figures indicate, as in some cases wage reductions are not reflected in the wage statistics. In the spring of 1931, the tendency towards wage cuts seems to be gaining strength in several countries.

The influence on prices of the rapid growth in the output of certain classes of products is, however, only one aspect of the situation. Some reference must also be made to the monetary aspects of the problem, although it is not proposed on this occasion to do more than to refer to them briefly. A study of the forces or of the policies which have influenced the monetary situation in recent years could not be adequately given within the limits of this brief note. The effect of these forces is, however, largely reflected in the movements of discount rates, which themselves have influenced the movements of capital and the opportunities for profitable investment.

In the latter half of 1928, there was a general tendency for money rates to rise in the more important markets of the world, a tendency which was steadily maintained throughout the whole course of 1929 up to the Stock Exchange crash in New York in the autumn of that year. In London and Amsterdam the rates were raised from 4½ to 5½ per cent in February and March 1929 respectively. The German rate went up to 7½ per cent in April. In August, the Federal Reserve Bank of New York raised its rate from 5 to 6 per cent, and in the next month the Bank of England raised its rate to 6½ per cent. Then came the stock market crisis in New York. Immediately afterwards, the New York rate was reduced, and Central Banks in other countries followed suit. Since then, discount rates have been lowered several times in most countries, and in the spring of 1931 have reached an unusually low level—in Paris and Zurich, 2 per cent, in New York 1½ per cent. Other rates have fallen simultaneously. Commercial paper rates have dropped to about 1 per cent in Amsterdam and Zurich, 1½ per cent in New York, 2 per cent in Paris and 2 to 2½ per cent in London. In Berlin, the rate fell to 3 per cent in the summer of 1930, but has since risen to 5 per cent. Interest rates on long-term loans have declined much less. It is one of the characteristics of the present situation on the capital market that the lack of confidence makes capitalists unwilling to invest their money on long terms—*e.g.*, to buy bonds—and creates a preference for keeping it on the money market or as bank deposits. Nevertheless, bond yields have declined substantially or by ½ to 1 per cent since the autumn of 1929 in the leading countries, and the interest to be paid on bank loans has dropped in proportion.

Many financial authorities hold the opinion that this easing of the capital market has been too small to enable all current savings to be demanded by borrowers.

The incentive to borrow and invest during periods of falling prices and depression is, of course, very much less than at other times. If the total of current savings is to be lent and used for real investment, it must be offered on considerably cheaper terms than usual, though even the lowest rates may fail to produce the desired result. If the rates are not sufficiently attractive, or the anticipation of the future fall in prices checks enterprise despite low rates, these savings will not all be used, the total purchasing power will decline and the price-level will drop. It seems not improbable that the whole of the last eighteen months has been characterised by such a lack of balance between savings and investments, a lack of balance which must strengthen the tendency towards a reduction of the general commodity price-level.

One reason why long-term interest rates have been falling so slowly is no doubt the conservatism of investors, who, in the last decade, have been used to obtaining a certain net yield and are



reluctant to accept much less, preferring for a time to hold their money as bank deposits or on the short-term money market.

Investors have also been influenced by unsettled political conditions, which have tended to strengthen the other forces already mentioned, contributing towards a contraction of the international movement of capital. Doubts about the political outlook in certain borrowing countries and other factors have also kept the capital-exporting countries from expanding again their foreign lending, which had been contracted in the summer of 1929.

In 1928, the net export of capital from the United States, which had reached a record level of about 1,000 million dollars in the preceeding year, fell to about one-fourth of that figure; in 1930, the net outward movement was quite insignificant. The British export of capital was better maintained in 1929, reaching about the same level as in the previous year; but in 1930 it dropped by 70 per cent. France exported very considerable amounts of capital in 1926 to 1928, chiefly on short-term account. In 1929, this movement was considerably checked, and in 1930 there was probably a net import of capital into France; large amounts of liquid funds were taken home from London and New York. In the borrowing countries, corresponding changes took place. The German import of capital in 1927-28 probably amounted to as much as 1,000 million dollars a year. It fell off considerably in 1929, and was relatively unimportant last year. In Poland and Hungary, there was also a heavy reduction in capital imports in 1929-30 as compared with 1927-28. Argentine borrowed much less in 1929 than formerly, but, unlike most countries, succeeded in increasing its borrowings in 1930.

The money which owners of capital in certain of the capital-exporting countries have failed to lend to countries with high rates of interest in which it would have been used for real investments, has probably in part not been used at all. Borrowing countries, in consequence of the curtailment of their borrowings, have had to reduce their purchases in manufacturing countries, which has reduced production and increased unemployment. This reduction in their demand has not been offset by an equivalent increase in the demand for producers' or consumers' goods in lending countries, and prices have, in consequence, been depressed.

It is in this state of the capital markets that the maladjustments in production and trade previously described have been exercising their influence. The question which is often put whether the causes of the drop in prices are to be found on the side of money and capital or on the side of production and trade is falsely formulated. If *any* of the circumstances—monetary policy *or* industrial maladjustment—had been different, then the economic development and the movement of the price-levels might also have been different.

Thus the severity of the drop in prices and of the depression in general seems to be due to the existence of deep-seated maladjustments between production and demand and in international economic relations, especially in international credit transactions, and to the absence of offsetting factors in the credit situation. The credit situation itself is affected at all times at once by monetary policy and by the general economic conditions which exist, and monetary policy in its turn is not conducted in a vacuum, but is always largely determined by those same general conditions. But the lack of adaptability in the economic system and to some extent of flexibility in monetary systems, partly due to political instability and lack of confidence, have prevented such changes being made in the basic conditions, before and after the turn in 1929, as might have mitigated the depression.

Reference should also be made to a special monetary factor which has exercised a disturbing influence—the depreciation of silver and the consequent drop in the exchange value of the Chinese currency. As the internal price- and wage-levels in China have risen very slowly, the ability of that country to buy foreign manufactures has been considerably reduced.

A few words may be added by way of comparison with previous depressions. In the last two decades before the war—a period with a rising trend of prices—Europe experienced two severe crises in the years 1900 and 1907. These were of shorter duration than the present depression, and, further, involved a reduction in the output of manufacturing industries and in wholesale prices of considerably smaller proportions. The present depression bears far more resemblance to those of the 'seventies and 'eighties of the last century, when the general trend of the price-level was downward. At that time a maladjustment in agriculture, brought about largely by the rapid increase in the production of cereals in oversea countries and a cheapening of the means of transporting them to Europe, was an essential characteristic of the situation. Even then, however the upward swing seems to have begun not later than a year and a-half after the downward turn—a period which the present depression bids fair to exceed.

(d) *International Differences in Business Conditions.*

In general discussions of world economic conditions, too little attention is often paid to the considerable differences in the position of different countries. It has already been pointed

out that Europe suffered less than most other parts of the world, especially up to the autumn of last year. The national income of countries largely dependent on the production and export of cereals has been reduced more than that of manufacturing countries. Countries such as Denmark and Ireland, whose principal exports are animal food products, were relatively slightly affected by the depression until the autumn of 1930. The fall in the prices of animal foodstuffs up to that date was not great and was largely offset by a reduction in the prices of fodder. The exports of manufacturing countries, such as Germany, Switzerland and Sweden, which sell mainly in the European market, were less affected than those of Great Britain and the United States. The German export value of manufactured goods in 1930 was only 2 per cent lower than in 1928, whereas in Great Britain and the United States the corresponding figures were 20 per cent and 16 per cent. But for certain other unfavourable factors—in particular, political uncertainty and the serious contraction of capital imports—Germany would probably have suffered less than the other two leading export countries. In the United States, the violent boom of 1928-29 had created a set of special disturbances which aggravated the effects of the crisis. The volume of production in manufacturing industries declined from the second quarter of 1929 to the fourth quarter of 1930 by no less than 34 per cent. The corresponding figure for Germany was 31 per cent and for Great Britain only 9 per cent. Great Britain has, indeed, been in a relatively favourable position, partly on account of the advantageous terms on which she has been able to purchase her foodstuffs and raw materials, either with her exports of manufactured goods or with the fixed interest on certain classes of her foreign investments.

Differences in the relative position of the various countries are also largely due to differences in the degree of the flexibility of their economic organisation, the adaptability of business firms, the mobility of labour, the flexibility of wages, etc. The Netherlands and the Scandinavian countries would appear to owe their relatively very favourable position largely to the flexibility of their economic systems.

In France and Belgium, the internal price- and wage-levels in terms of gold were low at the time of their return to the gold standard, and do not seem to have quite reached a normal relation to prices abroad by 1929. Retail prices in France were rising throughout the year 1930. These conditions naturally mitigated the effects of the decline of the world price-level. In this country, further, the large demand for real investments, especially for electrification, has maintained production in capital industries at a high level and helped to maintain a balance between saving and lending.

That the Eastern-European and oversea countries—large producers of cereals, coffee and raw materials—have suffered most seriously has already been mentioned. The agricultural countries in Europe have shown a marked power of adaptation and have succeeded in resisting the strain on their balance of payments and maintaining their currencies stable.

#### IV. THE ECONOMIC SITUATION IN THE SPRING OF 1931.

Almost two years have now passed since the volume of production and trade turned decisively downwards, and as yet no clear signs of a revival are to be observed. As it has already been mentioned, this depression is of an unusual length, greatly exceeding those experienced in the last two decades before the war. In recent months, however, there have been indications of a decline in the rate at which the depression has been proceeding. Stocks of staple commodities have, on the whole, ceased to rise, and in certain cases have slightly sunk. Prices of raw materials have dropped but little from November to March, as the chart herewith referring to the United Kingdom shows. The curve for "materials and industrial products" represents chiefly raw materials and semi-manufactured goods.

However, in April, the tendency was distinctly downwards, and the situation seems weaker than it was a month ago. The indices of production in manufacturing industries continued to fall rapidly during the last quarter of 1930. From January to February of the present year, a considerable increase took place in certain countries.

In the absence of later figures, it is as yet impossible to say whether this increase was more than a temporary improvement. The feeling in business circles seems to be that, as yet, no real upward movement has begun.

But it is, unfortunately, too early to judge whether such indications as may be found that the depression is being arrested are substantial or whether they are the outcome of the normal spring revival. In quite a few months' time the situation should become very much clearer. On previous occasions, for instance in 1921-22, a definite revival began within a few months of those during which the major decline was gradually arrested; but judgment concerning the situation at the moment must necessarily be suspended, in view of the further decline of prices which has taken place during the last four weeks. The course of events will therefore require very careful watching between now and the early autumn.

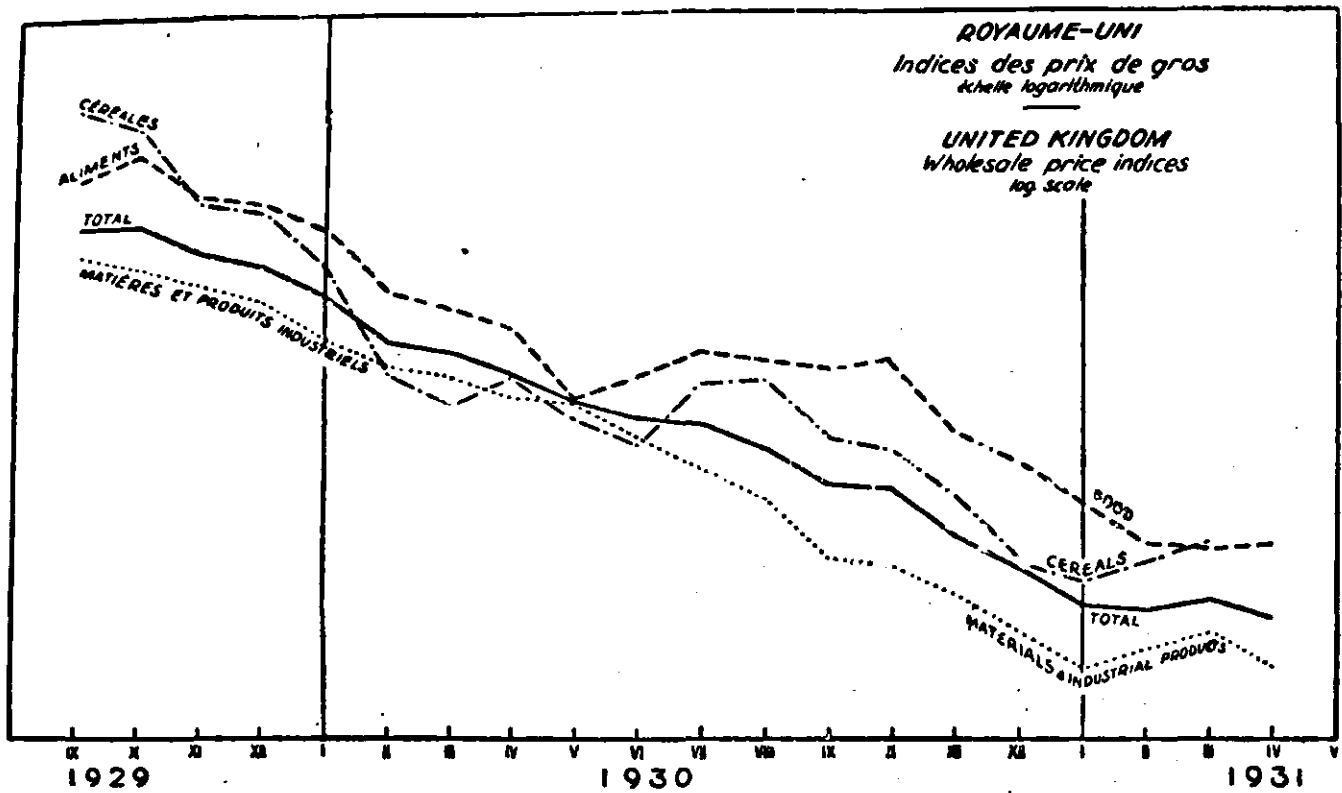


Table XI. — General Indices of Production.

(1928 = 100)

Country	1930			1931		
	October	November	December	January	February	March
United Kingdom (London and Cambridge Economic Service) . . . . .		90.4 <sup>1</sup>			82.7 <sup>1</sup>	
France (Statistique générale) . . . . .	107.1	106.3	105.5	104.7	104.7	
Germany (Wochenberichte des Institutes für Konjunkturforschung) . . . . .	77.1	75.6	72.2 <sup>2</sup>	68.5 <sup>2</sup>	70.2 <sup>2</sup>	71.1
Poland (Polish Institute Economic Research) . . . . .	85.0	82.0	78.9	74.0	71.3	70.5
Sweden (Svensk Finanstidning) . . . . .	114.5	109.1	109.1	102.7	111.8	110.9
United States (Federal Reserve Board) . . . . .	78.4	76.6	73.9	73.9	77.5	79.3
Canada (Review of Business Statistics) . . . . .	90.3	90.0	79.7	82.0	84.3	

<sup>1</sup> Quarterly figure.  
<sup>2</sup> Provisional.

Source: League of Nations *Monthly Bulletin of Statistics*, *Wochenbericht des Institutes für Konjunkturforschung*, May 6th, 1931, London and Cambridge Economic Service, April 23rd, 1931.

But the date at which real recovery begins and the rapidity with which it progresses will depend, not only on such natural forces as the gradual consumption or decay of stocks, but also on events of a non-economic origin, and upon the economic policy pursued.

The whole post-war development brings out very clearly the economic importance of political conditions, both international and domestic. When these are disturbed and confidence is shaken, international credit transactions are immediately affected and trade conditions vary rapidly. Economic life suffers, and recovery cannot but be impeded by political uncertainties.

The world is in fact, more closely knit to-day economically than politically. The actions of individual countries, not only with regard to monetary or commercial policy, which are immediately international in their reactions, but also with regard to what may seem to be purely domestic or purely political affairs, inevitably entail far-reaching economic consequences.

The free movement of capital on which so much depends will be determined, not only by the security which is foreseen, but by the adequacy of the mechanism available for capital transactions. In this connection, the Gold Delegation of the Financial Committee, in its last report, remarked:

“ Lending must not be impeded by artificial restrictions, such as discriminatory rates of taxation or exchange control. We believe that any measures designed to improve the mechanism for the issue of foreign loans, or to promote international transactions in existing securities, would contribute to the smooth working of the gold standard, granted the powers of Central Banks to control temporary disequilibria are adequate. We have in mind such measures as the improvement of facilities for foreign investments, the quotation of foreign securities on national Stock Exchanges, the equalisation of taxes on domestic and foreign investments. We also attach particular importance to the discussions now taking place with a view to the solution of the problem of double taxation. The high rates of taxation in certain countries constitute an insuperable barrier to capital movements in cases when, owing to the absence of any international understandings, the owner of foreign securities is liable to be taxed twice on his holdings. ”

They add, however, that all these various measures designed to facilitate long-term lending and the international purchase and sale of securities will require time for their perfection. On the other hand, the effective demand for capital must depend on the price which has to be paid for it. That price will be determined largely by the element of insurance against risk, which it incorporates, and therefore by those conditions to which reference has been made above. It is believed by many authorities, however, that the average price to-day of long-term investments is unduly high owing to an exaggerated conception of the real risks which exist, and any action which would result in the reduction of the price of capital would no doubt expedite economic revival.

The maladjustments which require to be righted, however, demand freedom, not only for the movement of capital, but for the other factors of production. The more readily labour can be transferred from one industry or occupation to another in any country, the more quickly will that country be able to adapt itself to those more profound changes which lie behind what has been described above as structural maladjustment. This, of course, holds good for agriculture as much as for manufacturing industries. Indeed, every action which increases the flexibility of the economic system as a whole must facilitate the readjustments which are required. It is for this reason that many economic authorities maintain that co-operative efforts to uphold the price of this commodity or of that are likely rather to prolong than to alleviate the depression. Such measures of control, it is maintained, are likely to involve an undesirable delay in the adjustment of the relative prices of different classes of goods.

It does not follow, of course, that an international competition with a view to a reduction in the price of labour—wages—would have beneficial effects. Such a general lowering of wages may, in certain circumstances, lead to a general lowering of the whole range of values—the world price-level—or rather weaken the normal tendency to a rise in that level after active trade conditions have been established. Such a permanent lowering of values would, of course, tend to render the burden of fixed charges on industry higher than they would otherwise have been. From this it must not be assumed, however, that the relationship between wage-rates in different industries or in different countries which existed prior to the present depression was in any sense of the word either normal or permanent. Some change, either upward or downward, is at all times demanded by the inevitable changes in general economic conditions.

The control of the prices of commodities can, of course, only be achieved by means of the control, direct or indirect, of their production or sale. Such control is, or may be, exercised by industrial associations; but that particular form of impediment to the free movement of goods or the rapid adjustment of prices is only one, and perhaps not the most important, of the many impediments to commodity movements and price adjustments that exist to-day.

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ANNEX 16.

WORK OF THE SECOND CONFERENCE ON CONCERTED ECONOMIC  
ACTION, DURING ITS SECOND SESSION, HELD IN MARCH 1931.

REPORT BY M. COLIJN, PRESIDENT OF THE CONFERENCE.

The Commission of Enquiry for European Union after hearing the report of the President of the Second Conference on Concerted Economic Action on the results of the first session held in November 1930 adopted the following resolution on January 31st, 1931:

“ The Commission of Enquiry for European Union:

“ Being strongly of opinion that the result of the putting into force of the *Commercial Convention* of March 24th, 1930, would be to create such an atmosphere of stability and confidence as would enable the execution of the programme of future negotiations also drawn up on March 24th, 1930, to be usefully prosecuted and extended;

“ Counts upon its members to do all in their power to ensure that the said *Commercial Convention* is speedily put into force;

“ And trusts that the bilateral negotiations opened in consequence of the Conference with a View to Concerted Economic Action of November 1930 may be actively pursued. ”

At the time of the January meeting of the European Commission the situation as regards the *Commercial Convention* was as follows:

Out of the twenty-six European countries represented by delegations at the Conference of February-March 1930, eight did not sign the Convention at all, and out of the eighteen signatory States only eleven had deposited the instruments of ratification at the time of the January session of the Commission—viz., Belgium, Denmark, Finland, Great Britain, Greece, Italy, Latvia, Luxemburg, Norway, Sweden, Switzerland.

In the hope that the resolution of the European Commission would have a beneficial influence, the second session of the Conference was approached with a certain amount of confidence. When the Conference met on March 16th, however, the situation proved to be much the same as in January. Although the Government of the Netherlands had deposited the instrument of ratification on March 10th, and Spain had presented a demand to adhere to the Convention, important adhesions or ratifications (*e.g.*, those of Austria, Czechoslovakia, France, Germany, Poland, etc.) were still outstanding. It is true that during the Conference information was received from the German delegation that the Reichstag had approved the Convention, but even this did not improve the situation substantially, so long as the other ratifications and adhesions were lacking.

In these circumstances, the Conference which had met to fix the date of the putting into force of the Convention, was faced from the very beginning with grave difficulties. The thirteen States which had ratified or adhered were not prepared to put the Convention into force as between themselves. Not only were important ratifications missing, but the bilateral negotiations for the reduction of tariffs, on which certain countries made their adhesion dependent, were not sufficiently advanced to enable these countries to envisage the immediate putting into force of the Convention as far as they were concerned.

The President of the Conference felt, however, that this ought not to be the last word, and that an attempt should be made to keep the Convention alive if only for a few months, so as to give the European Commission an opportunity of dealing with the matter afresh at its session in May. With this end in view the President suggested that the Convention should be provisionally put into force with a resolving clause to the effect that the Governments would regain their freedom if certain conditions had not been fulfilled by, say, June 1st or 15th, 1931.

During the discussion which resulted from this attempt it was clear that two different opinions prevailed. On the one hand, there were those who held the view that, as the Convention *was concluded for a fixed period* ending March 31st, 1931, the putting into force ought to take place before the expiry of this period and therefore not later than March 31st, whilst others maintained that it was possible to keep the Convention in a state of what might be called “suspended animation” and that a decision with regard to its entry into force could just as well be taken after April 1st, 1931.

There was no unanimity on this main point and it was therefore not possible to fix a date for the putting into force of the *Commercial Convention*, and the Conference had to state in its Protocol that it has been unable to come to an agreement on this point.

Whatever the legal position may now be, it seems clear that, from the *practical* point of view, the possibility of putting the Convention into force at some not too distant date is very remote.

Apart from the difficulties which may arise for certain Governments in connection with the necessity of obtaining new Parliamentary approval, the Conference, if it meets again, may find itself confronted with new difficulties. The situation prevailing at that time may not be the same as it was when the Convention was concluded in March 1930. Considerable changes may have taken place in the meantime which might easily cause further difficulties preventing the putting into force of the Convention of March 24th, 1930. It seems therefore very unlikely that this old Convention, even if considered to be in a state of "suspended animation", can come to life again, and certainly not within a few weeks from now, and this quite apart from the fact that the bilateral negotiations now pending will necessitate a considerable time before the interested Governments can see whether they are likely to come to a successful issue.

What then can the European Commission do in these circumstances? Can it take any effective steps to alter the present situation regarding the putting into force of the Commercial Convention?

The freedom to denounce commercial treaties which Governments enjoy after April 1st, 1931, need not necessarily be made use of. Although the Governments have refused to bind themselves not to denounce treaties, they are nevertheless in a position to act of their own free will as if they had bound themselves. In other words they can act according to the principles of the Convention in exactly the same way as if they had bound themselves by putting the Convention into force before March 31st.

The European Commission, consisting of responsible Ministers of the highest authority, may make a strong appeal to the different European Governments to do of their own free will what they have not been able to bind themselves to do under the terms of the Convention.

If in the meantime the bilateral negotiations are brought to a successful issue, the very serious consequences of the failure of the March Conference may still be avoided, and the continuation of the work of the League for an economic *rapprochement* of the people assured.

The importance of this latter point is clear enough. Although there is, according to my opinion, no *legal* tie between the Commercial Convention and the "Protocol regarding the Programme of Future Negotiations", it cannot, however, be denied that the carrying out of this programme would be seriously hampered if the Governments were going to make use of their freedom to denounce existing commercial treaties. The negotiations stipulated in the programme can only be undertaken in an atmosphere of comparative tranquillity, and in a state of affairs where the *status quo* is more or less maintained.

I am glad to state that from the debates at the March Conference I have the impression that the wish to continue these further negotiations is still existent, more particularly as far as the bilateral negotiations for tariff reductions are concerned. But, although the desirability of continuing these negotiations was acknowledged, there was also a fear that a deviation from the present situation might do great harm to the chances of successfully carrying on these negotiations.

It is exactly for this reason that the maintenance of the present situation is of such importance and I therefore venture to suggest in conclusion that :

1. The European Commission should address an earnest appeal to all the European States to do their utmost not to aggravate the present situation in the sphere of Customs tariffs, and to this end to apply the principles of the Commercial Convention of March 1930, and
2. That the Commission should once more urge the Governments concerned in the bilateral negotiations for tariff reductions to pursue these negotiations with the utmost activity.

If such an appeal is responded to, the serious consequences of the failure of the last Conference may still be avoided, and the work of the League and the European Commission for the improvement of international economic relations be continued.

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#### ANNEX 17.

### REPORT OF THE SUB-COMMITTEE FOR AGRICULTURAL CREDIT.

#### *Note by the Secretary-General.*

The Secretary-General has the honour to communicate to the Members of the Commission of Enquiry for European Union the report of the Sub-Committee for Agricultural Credit with its appendices.

He desires to draw the particular attention of the Members of the Commission to the last sentence of the report which reads as follows :

"In view of the desirability of a prompt execution of the scheme and the Council's wish that a definite result should be attained as rapidly as possible, the Sub-Committee ventures to express the hope that Governments may be able to send to the Commission



of Enquiry for European Union representatives endowed with full powers to sign the Convention at once, in the event of it being approved by the Council. ”

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The Sub-Committee for Agricultural Credit of the Commission of Enquiry for European Union met in Geneva under the presidency of François-Poncet, Sous-Secrétaire d'Etat de l'Economie nationale à la Présidence du Conseil, and delegate of France, on April 20th, 21st and 22nd. The following countries were represented: <sup>1</sup> Belgium, the British Empire, Bulgaria, Czechoslovakia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, the Netherlands, Poland, Roumania, Sweden, Switzerland and Yugoslavia.

In addition, the Agricultural Credit delegation of the Financial Committee was represented by its President, M. ter Meulen, one of its members, M. Regard, and two members of the Drafting Committee, M. Freiburger and Sir John Fischer Williams.

The Sub-Committee had before it a draft Convention, Charter and Statutes, relating to the proposed International Agricultural Mortgage Credit Company. These drafts prepared by the delegation mentioned above are to be submitted to the Financial Committee for revision.

This delegation had been appointed in January by the Financial Committee to elaborate a definite scheme for improving the international facilities for agricultural credit.

The President, M. ter Meulen, explained to the Sub-Committee the procedure which had been adopted and the principles which had guided the delegation in the preparation of these documents. The text of M. ter Meulen's speech may be found in the Minutes of the first meeting.

Under its terms of reference the Sub-Committee was instructed to “ watch the work of the Financial Committee and keep in touch with the latter in order that a detailed programme, both financial and legal, may be submitted to the Council of the League of Nations at its session in May ”. The Financial Committee will meet again on May 8th next, and will then prepare the final draft of the documents to be submitted to the Council of the League of Nations and to the Commission of Enquiry for European Union. In these circumstances the Sub-Committee has not considered it to be its function to express in the form of definite texts the points on which it reached an agreement of principle. It has confined itself to a general discussion of the major principles upon which the scheme is based, a discussion which will certainly enable each representative present fully to explain the whole proposal to his Government before the meeting of the Commission of Enquiry for European Union next month. It proposes therefore to confine itself in this report to drawing attention to certain questions to which the Financial Committee will, owing to the procedure adopted, have an opportunity of giving full consideration before the definitive text is prepared.

It leaves to the Financial Committee and to its delegation to undertake the task of drawing up the actual text embodying its views and intentions.

Early in the course of its discussions six points of primary importance emerged. These were:

1. The purpose to which the loans granted should be devoted;
2. The formation of the proposed guarantee fund of 5 million dollars;
3. The proposed fiscal exemptions;
4. The margin between the rates at which the International Company would borrow and lend;
5. The composition and form of election of the Board of Directors;
6. The measures to be adopted for the improvement of mortgage legislation in countries in which that legislation would appear to afford insufficient guarantees.

1. With reference to the first point, certain members expressed the fear that the credits granted by the International Company might have for their main result an increase in the production of cereals and certain other agricultural products, the production of which was already excessive. It was pointed out on the other hand that the lack of capital was one of the major factors which prevented the agriculturist from changing from those crops of which there was at present an excess to those the consumption of which was tending to increase. Moreover, all measures aimed at raising the standard of living in those European countries where the standard is at present relatively low must help to increase the demand for the higher value agricultural products such as meat, milk, fruit, etc. The granting of credits, and more especially the granting of credits where rates of interest are now abnormally high, would, therefore, help, on the one hand, to bring about those changes in production and, on the other, that increase in demand which are alike necessary for a general improvement in agricultural conditions. They would also certainly have the effect of increasing the purchasing power of agriculturists, and particularly their demand for industrial products.

The Sub-Committee is of the opinion that it would be desirable to define and limit more exactly the object of the Company and to indicate that its essential function should be to alleviate the burdens which weigh on agricultural production particularly in Central and Eastern Europe, on

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<sup>1</sup> The composition of the delegations is given in Appendix I.

account of the high rates of interest charged, and to reduce thus the costs of agricultural production. The Company should guard at the same time against the risk of an injudicious increase of production

2. With reference to the guarantee fund (also called the special reserve) it was recognised that the constitution of such a fund was indispensable for the success of the whole scheme. However, objections were raised against the compulsory and imperative character of the text of the draft with reference to the contributions demanded and to the classification of the States which are to make these contributions. It was suggested that these contributions might be made optional except in the case of Governments of the countries whose national mortgage institutions desired to borrow from the International Company.

Another proposal was also put forward in connection with the special reserve. It was suggested that the advances contributed by Governments of those countries which did not borrow from the International Company should be repaid before the other advances.

Representatives of certain States indicated that the sums which they would be required to pay according to the grouping suggested in Article 5 of the Convention as at present drafted appeared to be unduly high compared with those suggested for countries in the same group with substantially larger populations and national incomes. It was suggested in this connection that the scale of contributions might with advantage be made to reflect more closely the scale adopted for contributions to the League budget by means of a subdivision of one or more of the groups, and especially of groups (b) and (e).

On the other hand, one representative expressed the view that all Governments should be asked to contribute equal sums.

Obviously the problem of the Government contributions to the proposed guarantee fund is one which could only be settled by representatives empowered by their Governments to enter into a contractual agreement. The points raised will no doubt be carefully considered by the Financial Committee. The Sub-Committee, however, ventures to observe that contributions to this guarantee fund would be facilitated, were the fact that those contributions constitute a loan bearing interest to be more definitely emphasised, and were if possible to provide a rate of interest as near as possible to the normal rate on long-term investments. Part of this interest might be secured if part of the fund were invested in first-class securities instead of being left on deposit; and the rest might be taken out of profits.

3. In the section dealing with fiscal exemptions it would seem that Articles 7 and 8 of the Convention and paragraph 6 of the Charter might be rendered clearer, if they were drafted on the basis of the four following principles :

(a) That the country in which the Company has its seat should not derive any fiscal benefit from the fact that it had been chosen as the seat;

(b) That necessary measures shall be taken in all countries in which the Company conducts its business to avoid double taxation which might result from the fact that its business is in fact transacted in several countries;

(c) That, the essential object of the Company being to reduce as far as possible the rate of interest on loans to agriculturists, the countries in which those loans are effected should impose no fiscal charges either on the loans granted or on the service of those loans.

(d) That the Governments may collect internal taxes on persons residing or domiciled in their territory, subject, however, to no obligation being placed on the company except possibly as regards stamp duties payable in cash on the issue of shares or bonds in the territory.

It remains understood that the acceptance of the revised articles, in full or in part, will be optional for the Governments.

4. As regards the rates of interest on the loans which will be granted by the Company two ideas made themselves apparent during the course of the Sub-Committee's work: the necessity of assuring that the Company could afford to give its borrowers conditions at least as favourable as those which they could obtain directly; the necessity of fixing different interest rates according to circumstances, so as to allow each borrower the lowest possible rate compatible with his individual credit.

The rates of interest would have to be determined by the credit of each individual borrower and, in fact, a part of the rates might be looked upon as representing in certain cases a premium against risk.

In these circumstances it appeared to the Sub-Committee that Article 67 of the Statutes relating to the distribution of the profits of the Company might be so redrafted as to allow these premia to be allocated to a reserve, unless the Company employed them (as was suggested at one point of the discussion) to effect insurances with suitable insurance companies against the risks in question.

5. With reference to the composition and form of election of the Board of Directors, the Sub-Committee realised that a number of distinct and important considerations have to be borne in mind. It is necessary to secure, on the one hand, that the direction of this International Company should remain international, and on the other that the Board of Directors should be composed of persons who will afford, by their standing and reputation, a guarantee to the investing public of the sound conduct of the Company's business. At the same time it was felt that an opportunity should be given to those countries in which loans were granted to keep the Board of Directors constantly informed of the conditions obtaining in those countries. Finally, it is, in the opinion of the Sub-Committee, important that the system of election should be simple and in accordance with commonly accepted practice. The Sub-Committee felt that the procedure suggested in

Article 24 of the Statutes was open to the objection of being somewhat too complicated and at the same time somewhat too rigid in limiting the Directors to persons possessing certain definitely defined qualifications.

It suggests that it might be preferable to form the Board of Directors in some such manner as follows :

" Article 24. — The management of the International Company shall be vested in the Board.

" The Board is composed of not more than twenty members appointed as follows :

" 1. The President and Vice-President of the Board are appointed by the Council of the League of Nations;

" 2. One director is chosen by the Council of the League of Nations, or by the Bank for International Settlements if the latter consents to do so, from among experts in finance;

" 3. One director is appointed by the Permanent Committee of the International Institute of Agriculture;

" 4. Twelve directors may be appointed by the general meeting of shareholders by the customary procedure. Endeavours will be made to ensure that the first twelve directors in this class each represents, so far as possible, one-twelfth of the first block of capital referred to in Article 12.

" 5. Not more than four directors may be appointed by the sixteen directors referred to above, in the general interest of the Company and in particular in order to ensure the participation of the principal markets capable of co-operating in the sale of bonds.

" On the other hand, each country contributing to the special reserve and of which no national has a seat on the Board of Directors shall have the right to nominate an assessor who shall receive no remuneration and who shall be present at the meetings of the Board of Directors in a consultative capacity. "

The Sub-Committee considers further that the twelve directors to be appointed by the general meeting, and also the assessors, should be as far as possible, governors, vice-governors, presidents, vice-presidents, or representatives of mortgage credit, or agricultural credit institutions, or experts in banking or credit.

In this same connection the Sub-Committee felt that to give to the Company the right to refuse to allow a sale of shares to any particular individual was likely seriously to restrict their market. It thinks it would be preferable to omit this particular stipulation from the Statutes, and, with a view to preventing the voting rights getting into the hands of too small a group, to stipulate that, if A shares are transferred in any way they should *ipso facto* be assimilated, in so far as their voting rights are concerned, to B shares, failing a decision to the contrary by a three-quarters majority of the Board of Directors.

The Sub-Committee is fully conscious of the fact that the suggestion as put forward is open to objection on the grounds that the Board may be composed of as many as twenty persons. It suggests, therefore, that the Executive Committee which the Board, under the Statutes as at present drafted, has the right to set up, should become a definite part of the machinery of administration and should be confined to from five to seven of the members of the Board, amongst whom not more than two should be nationals of the countries receiving loans from this company.

6. On the question of the security afforded by mortgage legislation in those countries which will have recourse to the International Company, the Chairman of the delegation of the Financial Committee explained that to insist on radical changes of existing legislation, in the countries where it seemed inadequate, as a condition for granting to those countries the advantage of doing business with the Company, would create delay which it is particularly desired to avoid. It was therefore proposed to leave to the discretion of the Board of the International Company to demand, in anticipation of remedial legislation being adopted, special Government guarantees for loans granted. It was with this reflection in mind that Article 10 of the Convention was drafted.

The Sub-Committee, while fully appreciating the merits of the formula suggested in Article 10, is of the opinion that it might be well to annex to the present Convention a brief summary of the principles which should be applied in effecting such reforms. In putting forward this suggestion it is of course aware that full discretion must be left to the Board of Directors of the International Company.

Further, the Sub-Committee understands, that the International Institute for the Unification of Private Law is making a special study of this question of mortgage legislation. It has no doubt that the International Company will keep in close contact with the International Institute of Private Law.

One delegation suggested further that the supplementary guarantee of the Government of the National Company which asks for loans should be an essential condition of the loans granted by the International Company.

In addition to its observations on these six major questions, the Committee put forward a certain number of minor suggestions during the course of its examination of the texts submitted to it.

These suggestions are annexed to the present report.

As regards the choice of the seat of the Company, M. ter Meulen expressed to the Sub-Committee the conviction already explained in his report that from the technical point of view Paris was the suitable place. The opinion was expressed on the other hand, however, that the choice of Geneva would be preferable in view of the fact that the plan for the International Agricultural Mortgage Credit Company had been elaborated and the Company would be constituted, under the auspices of the League of Nations. As a large number of delegates were not in a position to express a definite opinion, the question was reserved.

Finally, the Sub-Committee desires to record its opinion that the scheme taken as a whole is well adapted for the ultimate object in view—namely, that of diminishing the expenses of agricultural exploitation in certain parts of Europe. It wishes to congratulate the Financial Committee and its delegation on the rapid and effective progress which has been made, and hopes that the Financial Committee will be in a position to submit final texts after its meeting next month which may prove acceptable to all parties concerned, and the application of which may render the desired service. In view of the desirability of a prompt execution of the scheme and the Council's wish that a definite result should be attained as rapidly as possible, the Sub-Committee ventures to express the hope that Governments may be able to send to the Commission of Enquiry for European Union representatives endowed with full powers to sign the Convention at once, in the event of it being approved by the Council.

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Appendix I.

COMMISSION OF ENQUIRY FOR EUROPEAN UNION. — SUB-COMMITTEE  
FOR AGRICULTURAL CREDIT.

LIST OF DELEGATES AT THE MEETING HELD IN GENEVA FROM APRIL 20TH TO 22ND, 1931.

*President:* His Excellency M. André FRANÇOIS-PONCET (France), Member of the Chamber of Deputies, Under-Secretary of State for National Economy.

Members of the Sub-Committee.

*British Empire.*

Mr. Walter R. SMITH, Parliamentary Secretary, Board of Trade.  
Mr. G. H. S. PINSENT, H.M. Treasury.

*Bulgaria.*

M. Bogdan MOROFF, Minister of Bulgaria in Paris.  
M. St. KOLTCHOFF, Administrator of the Agricultural Bank of Bulgaria.  
M. Dmitri MIKOFF, Chargé d'affaires of Bulgaria in Switzerland.

*Denmark.*

M. W. BORBERG, Permanent Delegate of Denmark accredited to the League of Nations.

*France.*

M. TARDY, Director-General of the National Agricultural Credit Fund.  
M. Jean-Jacques BIZOT, Deputy-Director of the Movement of Funds.  
M. FOUQUES-DUPARC, Secretary to Embassy.  
M. ROBERT, Inspector of Finance.

*Germany.*

Dr. HERMES, Former Minister of the Reich; Member of the International Agricultural Commission; President of the Central Union of Agricultural Co-operatives of Germany.

*Hungary.*

Baron DE KORANYI, Former Minister of Finance; President of the Central Office of the Financial Institutions of Hungary.  
Dr. Béla DE IMREDY, Director and Member of the General Directorate of the National Bank of Hungary.

*Italy.*

M. DE MICHELIS, Senator, President of the International Institute of Agriculture.  
M. Alberto BERIO, First Secretary of Legation in the Ministry of Foreign Affairs in Rome.

*Netherlands.*

Dr. BRUINS, Royal Commissioner of the Netherlands Bank.

*Poland.*

Dr. Adam ROSE, Director of the Economic Department in the Ministry of Agriculture.  
M. Wieslaw DOMANIEWSKI, Ministerial Adviser in the Ministry of Finance.  
M. Thadée GWIAZDOWSKI, Counsellor of Legation.  
M. Thadée MINCER, Editor of the Review *Rolnik Ekonomista*.

*Roumania.*

M. C. ANTONIADE, Minister accredited to the League of Nations.

*Sweden.*

M. Oscar RYDBECK, Director of the Scandinavian Credit.

**Governments invited.**

*Belgium.*

M. Albert JANSSEN, Member of the Governing Board of the National Society for Financing Industry.

M. Joseph WARLAND, Director of the Treasury.

*Czechoslovakia.*

M. Emil ROOS, Director-General of the Country Bank in Prague.

*Estonia.*

M. Auguste SCHMIDT, Permanent Delegate accredited to the League of Nations.

*Finland.*

His Excellency M. Rudolf HOLSTI, Permanent Delegate accredited to the League of Nations.

*Greece.*

M. R. RAPHAËL, Permanent Delegate of the Hellenic Government accredited to the League of Nations.

*Latvia.*

M. J. FELDMANS, Permanent Delegate of Latvia accredited to the League of Nations.

*Switzerland.*

M. BACHMANN, President of the National Bank of Switzerland.

M. BLAU, Director of the Federal Tax Administration.

*Yugoslavia.*

His Excellency Dr. Ilija CHOUMENKOVITCH, Permanent Delegate of Yugoslavia accredited to the League of Nations.

Dr. Anton SCHUSTER, Director-General of the Agricultural Bank.

**Other Representatives.**

*Agricultural Credit Delegation of the Financial Committee.*

M. TER MEULEN, *President.*

M. REGARD, Vice-Governor of the Credit Foncier of France.

Dr. FREIBERGER, Member of the Drafting Committee.

Sir John Fischer WILLIAMS, Member of the Drafting Committee.

*International Institute of Agriculture.*

Professor Alexandre BRIZI, Secretary-General of the International Institute of Agriculture.

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**Appendix II.**

**SUGGESTIONS MADE BY THE SUB-COMMITTEE ON THE TEXTS DRAWN UP BY THE DELEGATION.**

**I. CONVENTION.**

*Preamble, paragraph 3.* — Draft as follows:

“ . . . intended to alleviate the burdens which weigh on agricultural production in various countries and thus to diminish the expenses of exploitation . . . ”

*Article 1, paragraph 1.* — Add at the end the words “ and of the Constituent Charter and annexed Statutes ”.

*Article 1, paragraph 2.* — The delegation was requested to define the exact moment at which the International Company will be constituted (see text proposed for Article 6 of the Statutes).

*Article 3, paragraph 1.* — Penultimate line, after the words “ by another Government ” add the words “ a party to the Convention ”. Same addition to the end of paragraph 2.

*Article 4.* — The following text has been proposed for submission to the Financial Committee:

“ The loans to mortgage or agricultural credit companies or institutes provided for by the Statutes of the International Company may only be accorded to such of those companies as have their registered offices in the territory of the contracting Governments and subject to the approval of their Government. ”

*Article 5, paragraph 1.* — See observations in the Sub-Committee's report.

*Article 5, paragraph 2.* — This article to be drafted in accordance with the text to be drawn up for Article 1, paragraph 2.

*Article 5, paragraph 4.* — The Sub-Committee has suggested that:

(a) Should the Government advances not amount to five million dollars, the various countries would be asked to make up the deficit by additional advances *pro rata* to their compulsory advances;

(b) The additional contributions so made, which would not increase the special reserve beyond five million dollars would ensure to the contributing governments rights similar to the compulsory contributions.

(c) The provisions of paragraph 4 would be maintained for contributions for the purpose of bringing up the special reserve to a figure exceeding five million dollars.

Note to be added at the foot of page 4: “ ... according to the definition given in Article 21 of the draft Statutes ”.

*Articles 7, 8 and 9.* — The Sub-Committee has asked that these articles should be revised to bring them into line with the suggestions in its report.

*Article 10, paragraph 1.* — Instead of “ national company ” read “ mortgage or agricultural credit company or institute ”.

The actual principle of this paragraph has been reserved (see the Sub-Committee's report).

*Article 11.* — Read “ as far as they find this possible ”.

*Articles 14 and 15.* — It was recommended that the provisions of these articles should be applied in a liberal manner.

*Article 16.* — To be worded as follows:

“ The present Convention shall come into force as soon as the amount of the contributions to the special reserve due from the Governments which have ratified the Convention attains the sum of five million dollars. If this condition is not fulfilled before December 31st, 1931, a conference of the Governments . . . ”

## II. CHARTER.

*Paragraph 3.* — In the list of Articles of the Statutes the amendment of which should be made difficult, it has been proposed to add the metallic parity of the currency in which the capital is expressed, this provision to be inserted in Article 6 of the Statutes.

The Sub-Committee requested that Article 6 should be amended in accordance with the principles laid down in its report.

## III. STATUTES.

*Article 3,* third line, after the word “ mortgage ” insert the words “ or agricultural ”.

*Article 4.* — Draft as follows:

“ The loans for which the present Statutes provide may only be received by national companies having their registered offices . . . ”

*Article 6.* — It was proposed to define the weight in gold of the currency of the country in which the registered offices are to be situated and in which currency the Company's capital will be expressed.

It was proposed to insert after Article 6 an article reading as follows (which might possibly also be inserted in the Charter):

“ In accordance with the procedure laid down in Article 1, paragraph 3, of the Convention, the International Company shall be constituted after the subscription of 10,000 A shares (Statutes, Article 12) and after the appointment of the Directors (Article 24). ”

*Article 7.* — Add a third paragraph (see the report of the Sub-Committee).

*Article 10.* — Delete the second paragraph.

*Article 12.* — Last paragraph, add “ or agricultural ”.

*Articles 20 and 21.* — The following text was proposed for submission to the Financial Committee:

“ *Article 20.* — The Company's capital may be represented—as to not more than one-tenth, by the movable and immovable property to be used for the establishment of the registered office of the Company or required for the working of its services—as to the remainder, by Government stocks or other Treasury securities offering the highest



guarantees and negotiable on the principal international markets, or by short-term deposits in banks of the highest standing, or lastly by short-term bills of exchange or commercial paper carrying not less than two signatures, one of which must be that of a bank of the highest standing, and endorsed to the order of the International Company.

However, the Board of Directors may employ up to 30 per cent of the capital for the granting of loans or the opening of credits accorded on the security in both cases of first mortgages and complying with the conditions laid down in the present Statutes, or for the acquisition of bonds issued by the International Company itself and purchased by it, or for the advances required to cover the half-yearly payments due from the borrowers, or, lastly, for the purchase of immovable property acquired as the result of expropriation."

" *Article 21.* — By way of security for the commitments of the International Company there is forthwith constituted over and above its capital, a special reserve of five million gold dollars of the United States of America equivalent to . . . grammes fine gold.

" This special reserve shall be constituted at the outset by advances from the Governments which are parties to the Convention.

" It shall be invested in Government stocks or other Treasury securities offering the highest guarantees and negotiable on the principal international markets or shall be placed on deposit with the Bank for International Settlements or with other banks of the highest standing, or shall be represented by short-term bills of exchange or commercial paper carrying not less than two signatures, one of which must be that of a bank of the highest standing, and endorsed to the order of the International Company."

*Article 22.* — This article should be amended to bring it into line with the changes which may be made in Article 67. It should also be provided that the Company should endeavour to pay Governments the highest possible interest on their advances.

*Article 23.* — This article should be brought into line with Articles 67 to 70.

*Article 24.* — See the Sub-Committee's report.

*Article 33.* — Read " The Board will appoint each year . . . ."

*Article 45.* — Instead of " not exceeding " read " which shall in no case exceed . . . . " The Committee must in any case decide what is to be the proportion between the " capital in bonds " and the " capital in shares " plus the special reserve.

*Article 49.* — Delete the words " prizes and ".

*Article 56.* — Read as follows :

" The Company will appoint representatives to examine and supervise the operations of the national companies in their dealings with the International Company. "

*Article 57.* — The third paragraph of this article has been reserved (see the Committee's report on this point).

*Article 57, paragraph 5.* — It was pointed out that the term " separate company " in the fifth paragraph may be somewhat ambiguous.

*Article 58.* — The third paragraph to be drafted as follows :

" In the event of repayment before maturity, the Company shall have the right to claim an indemnity which shall not exceed . . . . "

*Article 60.* — Add at the end: " . . . with the object of furnishing credits to agriculturists at the best possible rates in accordance with the Company's object ".

*Article 67.* — A large number of suggestions were made with regard to this article. These are set forth in the Sub-Committee's report.

*Article 68.* — It was proposed to divide the special reserve into two parts. If necessary, withdrawals would be primarily made from the portion constituted by the International Company itself and only in the second place from the portion constituted by means of Government advances.

*Article 69.* — This article has been reserved.

*Article 70.* — It would be desirable to provide for the safeguarding of the Governments' interests should the International Company desire to wind up its business and the Government advances not have been fully repaid.

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ANNEX 17a.

C.324.M.149.1931.VII.  
[C.E.U.E./I.]

SECOND REPORT OF THE SUB-COMMITTEE FOR AGRICULTURAL CREDIT.

The Sub-Committee for Agricultural Credit of the Commission of Enquiry for European Union held its second meeting on May 13th and 14th, under the presidency of Mr. W. R. Smith, Parliamentary Secretary to the Board of Trade of the United Kingdom.

M. François-Poncet, who had presided over the first meeting, was unable to attend on this occasion.

The following countries were represented: Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Irish Free State, Italy, Latvia, the Netherlands, Poland, Portugal, Roumania, Spain, Switzerland, Yugoslavia.

Thus all European States Members of the League were represented at one or both of the meetings held by the Sub-Committee with the exception of Albania, Lithuania, Luxemburg and Norway.

The Financial Committee and its delegation for Agricultural Credits, were represented by M. ter Meulen, President of the delegation, M. de Chalendar, Dr. Kempner, M. Mlynarski and M. Regard. The International Institute of Agriculture was represented by M. Pavlovsky.

As a considerable number of the members of the Sub-Committee had not received definite instructions from their Governments, the views which are expressed below should be understood to reflect the opinion of the Sub-Committee acting in an advisory capacity, and not that of the Governments by whom the members of the Sub-Committee had been designated.

The Sub-Committee had before it the definitive texts drawn up by the Financial Committee for submission to the Council of the draft Convention, Charter and Statutes relating to the proposed International Agricultural Mortgage Credit Company, and, in addition, the report of the Financial Committee to the Council on this subject, and a note on the principles of mortgage legislation, which has been annexed.

As stated in its report relating to its meeting in April the Sub-Committee then put forward a number of suggestions on the provisional drafts of the first three documents mentioned above drawn up by the delegation of the Financial Committee.

To these suggestions the Financial Committee and its delegation have given the most careful consideration. We believe that the documents as now drafted, subject to certain minor points mentioned below, particularly the modifications proposed to Articles 12 and 25 of the Statutes concerning the participation of agricultural credit institutes in the constitution and operation of the International Company are well designed to meet the primary object that the Council of the League of Nations and the Commission of Enquiry for European Union have had in view. We have no hesitation in recommending the scheme as a whole for definite and immediate approval. We desire to congratulate the Financial Committee and those who have so devotedly co-operated with it for the skill with which they have elaborated a plan which, in our opinion, is sound both in its general principles and in its technical detail.

As the Sub-Committee suggested in its previous report the primary object of this proposal is to benefit the agriculturist. It is intended "to alleviate the burdens which weigh on agricultural production in various countries, to diminish the working expenses which at present absorb too large a share of the profits and to increase the purchasing capacity of the agriculturists". This object it is hoped to attain by the creation through an international Convention of an International Agricultural Mortgage Credit Company with specific privileges and functions. Details of the plan are set out in the three basic documents referred to above, and the principles underlying it are clearly explained in the Financial Committee's report to the Council. It is not necessary for us therefore to recapitulate what the Financial Committee has said. We merely wish to emphasize this point, that the scheme is designed to assist agriculturists and to add, as was indicated in our previous report, that any measures which result in increasing the purchasing power of agriculturists must promote at the same time the well-being of industrial States which are so largely dependent on the markets which the demand of agriculturists constitutes. On the other hand, as the Sub-Committee has observed in its previous report and as has also been pointed out by the Financial Committee, the new Company should avoid exposing itself to criticism on the ground that it has encouraged an injudicious increase of agricultural production. We trust that the Board of Directors, in view of the character and general interests of the International Company, will desire to give adequate information on this point, so far as it can be supplied in its annual report which has to be transmitted to the Council of the League of Nations.

At the same time, as one member of the Sub-Committee pointed out, an International Company of this character should have a considerable indirect educative effect and help countries, whose organisation is not yet perfect, to understand at once the value of a well-organised system of mortgage credit and of the principles upon which that organisation should be based. National systems cannot, however, be perfected so long as mortgage legislation does not afford the necessary guarantees. We attach considerable importance, therefore, to the principles with reference to such legislation which, as stated, have been annexed by the Financial Committee to the documents which it has prepared. We suggest that, if the scheme as a whole is adopted by Governments, it would be well to add a resolution recommending these principles to the careful attention of all Governments proposing to undertake reform of their mortgage legislation. A draft text of such resolution is contained in the annex to this report. In the same annex are set out a certain number of modifications to the articles of the Convention or the Statutes which we recommend for consideration. As each amendment is explained in a brief note, it is not necessary to discuss these proposals further here.

With reference to these amendments, M. ter Meulen, the President of the delegation of the Financial Committee stated that; in his opinion—if it had been possible for him to consult the Financial Committee—the latter would have had no objection to the changes proposed by the Sub-Committee. He had had the opportunity to discuss the question with M. Suvitch, the President of the Financial Committee, who was in entire agreement on this point.

The Committee desires to express the hope that Article 23 of the Statutes relating to the composition of the Board of Directors will be interpreted in such a manner that the choice of the members appointed by the Organisation Committee may reflect, as far as possible, the manner in which the A shares will be placed.

One question has been deliberately left open by the Financial Committee—namely, that of the seat of the International Company. The views of the Financial Committee on this point are set out on the last page of its report. We have considered ourselves that this is a question which can only be decided by duly authorised Government representatives.

In conclusion, we desire to reiterate the statement made above that in our opinion the scheme as a whole with the minor modifications and additions indicated in the annex is well designed to achieve the objects which the Governments of the European States Members of the League have had in view.

The Sub-Committee trusts that the Commission of Enquiry for European Union will bring to the notice of the Council the urgency of putting the scheme into force, as a measure for allocating the present economic crises, and they hope that it may be possible for the Council to arrange for the Organisation Committee to be set up at an early date and, if possible, before August 15th, the time-limit for signature of the Convention.

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#### Appendix.

The additions and modifications suggested by the Sub-Committee to the Convention, Charter and Statutes are as follows:

1. *Draft Resolution:*

“ The Conference recommends the principles of mortgage legislation set out in the annex to the present resolution to the attention of all Governments which propose to reform their existing legislation on this subject. ”

The reasons for suggesting that this recommendation should be adopted have been explained in the report.

2. *Convention, Article 5, paragraph 3.*

This paragraph should read as follows:

“ 3. If, on the coming into force of the Convention, the total of the contributions of the Governments which have ratified it exceeds the sum of five million dollars, the amount of each Government's contribution shall be reduced in proportion to its size in such manner that the total of the contributions does not exceed five million dollars.

“ If, in consequence of subsequent ratifications or accessions, the sum total of the special reserve fund A, formed with the advances of the Governments, and of the special reserve fund B, formed by the International Company, which are referred to in Article 21 of the Statutes, exceeds the sum of five million dollars, the A fund shall be reduced by repayments to the Governments in proportion to their respective contributions so as to make the sum total of the A and B funds equal to five million dollars: provided always that a Government acceding under the provisions of Article 15, paragraph (a), shall not participate in the repayments effected from its own contribution.”

This change would appear to be necessary in order to make it clear what would happen in the event of European Governments adhering to the Convention, in accordance with Article 15, paragraph (a), more than five years after its entry into force.

3. *Convention, Article 6, and Charter, paragraph 10.*

Omit the words “ expropriation ” and “ seizure ”. The words “ expropriation ” and “ seizure ” which it is proposed to omit might be interpreted as referring to an expropriation or seizure resulting from the normal application of the ordinary law of the country (*e.g.*, expropriation for public purposes, or seizure by order of a Court for the purpose of satisfying a debt).

The words to be omitted are not necessary to ensure to the Company the protection against exceptional measures which it is the object of the article to afford.

4. *Convention, Article 7, paragraph (b).*

Omit the present text. Paragraph (c) to become paragraph (b) and to read as follows:

“ (b) The holders of the shares and bonds issued by the International Company shall not pay any tax, whether in the form of a tax on capital or that of a tax on income, by reason of their possession of the said shares or bonds, or by reason of the receipt of dividends or interest or capital repayments, when they are not resident on the territory of the State which levies such taxes.”

The suppression of paragraph (b) is a consequence of the exception included in the new text of the Charter which permits the country where the International Company has its registered office to tax the shares and bonds of the International Company, if they are issued on its market or circulate on its territory. In these circumstances the other contracting Governments could not be asked to give an advantage, which the country where the International Company has its seat was no longer asked to give.

The amendments to the former paragraph (c) which becomes paragraph (b) are merely drafting changes.

5. *Convention*, Article 9.

This article should read as follows :

" (a) The acceptance, whether total or partial, of the provisions of Articles 7 and 8 shall be effected by means of a declaration made at the time of signing, ratifying or acceding to the present Convention, or by means of a declaration subsequently addressed to the Secretary-General of the League of Nations. The Secretary-General shall notify such declaration to the Governments of the Members of the League.

" (b) Governments which have accepted obligations, as provided in the preceding paragraph, shall be entitled to denounce the obligations so accepted at the end of a period of fifteen years, and at the end of subsequent periods of the same duration, by a notification to the Secretary-General of the League of Nations made within six months before the close of the period in question.

" Such denunciation shall have no effect on the exemption from taxation of shares or bonds already issued or loans already granted."

The modifications made are merely drafting changes.

6. *Charter*, Paragraph 6 (b).

This paragraph should read as follows :

" (b) Duties, charges and taxes in connection with the issue or transfer of shares or bonds of the International Company. This provision shall be without prejudice to the right of the . . . Government to levy under its legislation, otherwise than through the *International Company*, duties, charges and taxes in connection with the issue and transfer on its market of the said shares and bonds."

The text is modified in order to make clear :

(a) That the country where the International Company has its seat will only be able to levy stamp duties and similar taxes on the shares and bonds of the International Company issued on its market or circulating on its territory.

(b) That such taxes cannot be levied through the International Company.

7. *Statutes*, Articles 12 and 25.

Article 12: the last paragraph to read as follows :

" In each country a preference shall be given to subscriptions from mortgage or agricultural credit companies or institutions. In countries possessing legislation of a general character concerning the organisation of such companies or institutions the preference shall be given to such of those companies as have been authorised and constituted under the provisions of such legislation."

Article 25 to read as follows :

" The directors mentioned in Article 23, paragraph 3, and the assessors mentioned in Article 24 must be chosen from among governors, vice-governors, presidents, vice-presidents or representatives of land, mortgage or agricultural credit companies or institutions or from among persons having special knowledge and experience of banking and credit.

" In countries possessing laws of a general character governing the organisation of the above-mentioned companies or institutions, the companies or institutions to which the preceding provision refers shall be those which have been authorised or constituted under the provisions of such a law."

The addition of the words " of a general character " in both of these articles is intended to meet the particular legal conditions which exist in certain countries to which the phrase as originally drafted could not be applied.

8. *Statutes*, Article 33, paragraph 2.

Add the following paragraph :

" The Chairman shall have the right to require that any decision of the Executive Committee should be suspended and be referred to the Board."

The object of this amendment is to give the Chairman the same power in the Executive Committee as he is given by Article 37 on the Board of Directors.

9. *Statutes*, Article 50, paragraph (b).

This paragraph should read as follows :

" By a charge, ranking, *pari passu*, with all the mortgage bonds of the national company, upon all the mortgages acquired by the Company and forming the counterpart to the said mortgage bonds."

The previous draft limited the charge to mortgages acquired by the national companies with the funds resulting from the issue of their mortgage bonds. In fact, however, existing mortgages would have to be charged before the delivery of the bonds in question. The funds could not be received by the national companies until such charge had been effected.

ANNEXE 17 b.

Série de Publications: 1931. II. A. 13.

N° officiel: C. 375. M. 155. 1931. II. A.  
[Extrait]

CONVENTION, CHARTE ET STATUTS DE LA SOCIÉTÉ INTERNATIONALE  
DE CRÉDIT HYPOTHÉCAIRE AGRICOLE.

PRÉAMBULE.

Les Gouvernements de . . . . .  
désireux de prêter leur aide à l'agriculture par le moyen d'une organisation internationale de crédit hypothécaire agricole;

Considérant qu'une telle organisation constituerait un instrument précieux de coopération internationale, dans le cadre de l'œuvre économique de la Société des Nations;

Résolus à favoriser la création d'une Société internationale de Crédit hypothécaire agricole ayant pour objet d'alléger les charges financières qui grèvent la production agricole dans divers pays, de diminuer les frais d'exploitation qui absorbent actuellement une trop grande part des profits et d'augmenter le pouvoir d'achat des agriculteurs;

Décidés à donner à cette Société internationale toute l'assistance qui est en leur pouvoir pour qu'elle remplisse avec succès sa mission,

Sont convenus, par l'intermédiaire de leurs représentants soussignés, dûment autorisés, de conclure la Convention suivante, dont les dispositions concernant le Conseil de la Société des Nations ont été acceptées par lui, dans sa résolution du 21 mai 1931.

ARTICLE PREMIER.

*Principe.*

1. Les Gouvernements contractants conviennent qu'une Société internationale de Crédit hypothécaire agricole sera créée, conformément aux dispositions de la présente Convention, de la Charte constitutive et des Statuts y annexés.

2. Les Gouvernements contractants reconnaissent la personnalité juridique de la Société internationale dès sa constitution.

3. Un Comité d'organisation nommé par le Conseil de la Société des Nations prendra toutes les mesures nécessaires en vue de la première émission des actions de la Société internationale, de l'organisation et de la préparation du fonctionnement de cette société.

Le Comité d'organisation cessera ses fonctions dès que le Conseil d'administration aura été constitué. Les sommes qui auraient été avancées par le Conseil de la Société des Nations ou par d'autres pour couvrir les dépenses de ce Comité, seront remboursées par la Société internationale sur le produit de l'émission des actions.

ARTICLE 2.

*Engagements du gouvernement du pays où la Société internationale aura son siège.*

1. Le Gouvernement suisse s'engage à accorder à la Société internationale, aussitôt que possible, une Charte constitutive qui aura force de loi, et dont le texte figure dans l'annexe à la présente Convention. Cette Charte comportera la sanction des Statuts qui y sont annexés.

2. Le Gouvernement suisse s'engage à ne pas abroger cette Charte, à n'y apporter ni modifications ni additions autrement qu'après une décision prise dans les conditions prévues à l'article 17 pour l'abrogation ou la revision de la Convention.

Toutefois, s'il s'agissait d'un changement à apporter à la Charte autrement qu'à la fin des périodes prévues pour la durée de la présente Convention, le paragraphe b) de l'article 17 s'appliquerait sous cette réserve que le consentement des Gouvernements contractants pourrait être valablement donné sans qu'il fût besoin de réunir une conférence pour l'obtenir.

3. Le Gouvernement suisse s'engage à ne pas sanctionner de modifications aux articles des Statuts de la Société internationale visés au paragraphe 3 de la Charte si ce n'est avec le consentement des Gouvernements contractants, donné dans les conditions prévues à l'article 17, et le consentement des organes de la Société internationale, donné dans les conditions prévues au paragraphe 3 de la Charte.

4. Les engagements du Gouvernement suisse en exécution du présent article ne s'appliqueraient pas au cas où la Charte serait abrogée en conséquence du transfert du siège de la Société internationale dans un autre pays, conformément à l'article 3, paragraphe 2.

ANNEX 17 b.

Series of Publications: 1931. II. A. 13.

Official No.: C. 375. M. 155. 1931. II. A.  
[Extract.]

CONVENTION, CHARTER AND STATUTES OF THE INTERNATIONAL  
AGRICULTURAL MORTGAGE CREDIT COMPANY.

PREAMBLE.

The Governments of . . . . .  
. . . . .  
being desirous of assisting agriculture by means of an international agricultural mortgage credit organisation;

Believing that such an organisation would constitute a valuable instrument of international co-operation within the framework of the economic activity of the League of Nations;

Being resolved to support the establishment of an International Agricultural Mortgage Credit Company intended to alleviate the burdens which weigh on agricultural production in various countries, to diminish the working expenses which at present absorb too large a share of the profits and to increase the purchasing capacity of the agriculturists;

And intending to give this International Company all the assistance in their power to enable it to achieve its purpose successfully;

Have agreed through their undersigned representatives, duly authorised for the purpose, to conclude the following Convention, of which the provisions relating to the Council of the League of Nations have been accepted by the latter by its resolution of May 21st, 1931.

ARTICLE I.

*Principle.*

1. The contracting Governments agree to the establishment of an International Agricultural Mortgage Credit Company in accordance with the provisions of the present Convention and the constituent Charter and Statutes thereto annexed.

2. The contracting Governments recognise the corporate personality of the International Company from the moment of its incorporation.

3. An Organisation Committee appointed by the Council of the League of Nations shall take all steps required for the first issue of shares of the International Company, for its organisation and by way of preparation for its operations.

The Organisation Committee shall relinquish its duties as soon as the Board of Directors has been constituted. Such sums as may have been advanced by the Council of the League of Nations, or by others, to cover the expenses of the Organisation Committee, shall be refunded by the International Company out of the proceeds of the issue of the shares.

ARTICLE 2.

*Obligations assumed by the Government of the Country in which the International Company has its Registered Office.*

1. The Swiss Government undertakes to grant the International Company, as soon as possible, a constituent Charter having force of law, the text of which is contained in the Annex to the present Convention. This Charter shall bring into force the Statutes annexed to it.

2. The Swiss Government undertakes not to revoke this Charter and not to introduce any modifications or additions except after a decision taken under the conditions laid down in Article 17 for the abrogation or revision of the Convention.

Nevertheless, paragraph (b) of Article 17 will apply to changes made in the Charter at times other than the end of the periods laid down for the duration of the present Convention, subject to the provision that the consent of the contracting Governments may be validly given without calling a Conference to obtain such consent.

3. The Swiss Government agrees not to sanction amendments to the articles of the Statutes of the International Company enumerated in paragraph 3 of the Charter, except with the consent of the contracting Governments given as provided in Article 17 and with the consent of the organs of the International Company given as provided in paragraph 3 of the Charter.

4. The undertakings given by the Swiss Government under the present article will not apply to revocation of the Charter as a result of the transfer of the registered office of the company to another country under the provisions of Article 3, paragraph 2.



ARTICLE 3.

*Transfert du siège de la Société internationale.*

1. Au cas où la présente Convention ne serait pas ratifiée par le Gouvernement mentionné à l'article 2, il appartiendra au Conseil de la Société des Nations, décidant à la majorité des voix, d'obtenir l'acceptation des obligations de cet article par un autre Gouvernement partie à la Convention qui octroiera à la Société internationale sa Charte constitutive.

2. Le Conseil de la Société des Nations, décidant à la majorité des voix, pourra à tout moment prendre, avec le consentement de l'Assemblée générale extraordinaire de la Société internationale statuant dans les conditions prévues à l'article 44 des Statuts et avec l'agrément de la majorité des Gouvernements contractants comprenant les voix de Gouvernements ayant fourni un total de 75% des sommes versées en application de l'article 5 ci-après sans tenir compte de tout remboursement effectué à quelque titre que ce soit, les mesures nécessaires pour transférer le siège de la Société internationale dans un autre pays.

ARTICLE 4.

*Limitation de l'octroi des prêts aux Sociétés nationales des pays contractants.*

Les prêts visés aux Statuts de la Société internationale ne peuvent être consentis qu'aux sociétés ou instituts de crédit hypothécaire ou agricole (ci-après dénommés « Sociétés nationales ») ayant leur siège sur le territoire des Gouvernements contractants.

ARTICLE 5.

*Avances des Gouvernements pour la constitution d'une réserve spéciale.*

Afin de permettre à la Société internationale de constituer une réserve spéciale, telle qu'elle est prévue à l'article 21 des Statuts, les Gouvernements contractants s'engagent à consentir à ladite Société, dans les conditions suivantes, des avances — qu'elle remboursera conformément à ses statuts — s'élevant à vingt-cinq millions de francs suisses or équivalant à 7.258.064,516 grammes d'or fin.

1<sup>o</sup> Les Gouvernements participant au budget de la Société des Nations:

a)	pour au moins 34 unités,	apporteront chacun une contribution de	3.000.000 francs
b)	» de 17 à 33	» » »	1.875.000 »
c)	» 8 à 16	» » »	1.000.000 »
d)	» 5 à 7	» » »	500.000 »
e)	» moins de 5	» » »	125.000 »

2<sup>o</sup> Les contributions seront versées dans le délai d'un mois à partir de la souscription des actions A, conformément à l'article 12 des Statuts, ou des ratifications ou adhésions qui interviendraient ultérieurement.

3<sup>o</sup> Si lors de l'entrée en vigueur de la Convention, le total des contributions des gouvernements ayant ratifié la Convention excède la somme de vingt-cinq millions de francs, le montant de la contribution de chaque gouvernement sera réduit proportionnellement à son importance, de façon que le total des contributions n'excède pas vingt-cinq millions de francs.

Si, par suite de ratifications nouvelles ou d'adhésions, le total du fonds de réserve spéciale A, constitué au moyen des avances des gouvernements, et du fonds de réserve spéciale B, constitué par la Société internationale (fonds visés à l'article 21 des Statuts), excède la somme de vingt-cinq millions de francs, le montant du fonds A sera réduit au moyen de remboursements proportionnels au montant des avances de chaque gouvernement, de façon que le total des fonds A et B soit égal à vingt-cinq millions de francs. Toutefois, le gouvernement qui aura adhéré à la Convention conformément à l'article 15, paragraphe a) ne bénéficiera pas des remboursements effectués avec le produit de sa contribution.

4<sup>o</sup> Dans le cas, au contraire, où la somme de vingt-cinq millions de francs ne serait pas atteinte, tout Gouvernement pourra volontairement fournir une contribution supplémentaire.

ARTICLE 6.

*Exemption de toute mesure d'expropriation, etc.*

La Société internationale, ses biens et avoirs situés sur le territoire des Gouvernements contractants et toutes les remises, soit en provenance, soit à destination du territoire d'un Gouvernement contractant, soit empruntant ce territoire, effectuées par ou au profit de la Société internationale et résultant des opérations faites par elle dans l'exercice normal de son activité, ne pourront faire, ni en temps de paix ni en temps de guerre, l'objet d'aucune mesure telle que réquisition, confiscation, défense ou restriction de la faculté d'effectuer des paiements à l'étranger ou de recevoir des paiements provenant de l'étranger, ou de toute autre mesure analogue. En outre, lesdites remises ne pourront faire l'objet d'aucune mesure ayant pour effet d'empêcher que le paiement de dettes qui ont été libellées en monnaies étrangères ou en or, soit fait dans la ou les monnaies stipulées au contrat, ou, le cas échéant, en or, et de telle façon que la somme payée soit égale, pour chaque unité monétaire de la dette, à l'équivalent légal en or de cette ou de ces monnaies, à la date du contrat.

ARTICLE 3.

*Transfer of the International Company's Registered Office.*

1. If the present Convention is not ratified by the Government mentioned in Article 2, it shall be the duty of the Council of the League of Nations, acting by a majority vote, to obtain acceptance of the obligations of that article by another Government party to the Convention which shall grant to the International Company its constituent Charter.

2. The Council of the League of Nations, acting by a majority vote, may, at any moment with the consent of an extraordinary general meeting of the International Company, given in accordance with the conditions laid down in Article 44 of its Statutes and with the approval of a majority of contracting Governments comprising Governments which (disregarding any repayments of whatever kind that may have been made) have provided 75 per cent of the total sums paid under Article 5, take the necessary measures to transfer the registered office of the International Company to another country.

ARTICLE 4.

*Loans to be accorded only to the National Companies of the Contracting Countries.*

The loans provided for by the Statutes of the International Company may only be accorded to mortgage or agricultural credit companies or institutions (hereafter called "national companies") which have their registered offices in the territory of the contracting Governments.

ARTICLE 5.

*Advances to be made by the Governments to create a Special Reserve.*

In order to permit the International Company to establish a special reserve as provided in Article 21 of the Statutes, the contracting Governments undertake to make, as provided below, advances to the Company, which it shall repay as provided in its Statutes and which shall amount to twenty-five million gold Swiss francs, equivalent to 7,258,064.516 grammes of fine gold.

1. Governments contributing to the budget of the League of Nations:

	Francs
(a) not less than 34 units, shall each contribute	3,000,000 to the Special Reserve.
(b) from 17 to 33 " " " "	1,875,000 "
(c) from 8 to 16 " " " "	1,000,000 "
(d) from 5 to 7 " " " "	500,000 "
(e) less than 5 " " " "	125,000 "

2. The contributions shall be paid within one month from the subscription of the A shares as provided for in Article 12 of the Statutes or from the date of ratification or accession if effected subsequently.

3. If, on the coming into force of the Convention, the total of the contributions of the Governments which have ratified it exceeds the sum of twenty-five million francs, the amount of each Government's contribution shall be reduced in proportion to its size in such manner that the total of the contributions does not exceed twenty-five million francs.

If, in consequence of subsequent ratifications or accessions, the sum total of the special reserve fund A formed with the advances of the Governments and of the special reserve fund B formed by the International Company, which are referred to in Article 21 of the Statutes, exceeds the sum of twenty-five million francs, the A fund shall be reduced by repayments to the Governments in proportion to their respective contributions so as to make the sum total of the A and B funds equal to twenty-five million francs: provided always that a Government acceding under the provisions of Article 15, paragraph (a), shall not participate in the repayments effected from its own contribution.

4. If the sum of twenty-five million francs is not attained, any Government may make an additional voluntary contribution.

ARTICLE 6.

*Exemption from Expropriation, etc.*

The International Company, its property and assets, situate in the territory of the contracting Governments, and all remittances coming from or going to the territory of a contracting Government or passing through such territory, effected by or to the International Company and resulting from transactions carried out by it in the normal course of its business, shall be exempt in time of peace and in time of war from any measure such as requisition, confiscation, prohibition or restriction of the power to make payments abroad or to receive payments from abroad and any other similar measure. These remittances shall further be exempt from any measure preventing debts expressed in foreign currency, or in gold, from being paid in the currency or currencies stipulated, or in gold, and in such manner that the sum paid equals, for each monetary unit of the debt, the legal equivalent in gold of such currency or currencies at the date of the contract.

Au cas où, par suite de l'application de l'article 16 du Pacte de la Société des Nations, la Société internationale ne serait pas en droit de faire des paiements à certaines catégories de ses créanciers ou ne pourrait recevoir des paiements de certaines catégories de ses débiteurs, les Gouvernements contractants s'engagent à lever tout obstacle à l'exécution desdits paiements dès que l'application susvisée de l'article 16 cessera.

#### ARTICLE 7.

##### *Exemptions fiscales.*

Les Gouvernements contractants qui acceptent le présent article, désireux d'accorder à la Société internationale des facilités spéciales pour l'émission de son capital et le placement de ses obligations, s'engagent à appliquer en tout ou en partie les dispositions suivantes:

a) Aucun impôt sur le revenu ou les bénéfices, le chiffre d'affaires ou le capital ne sera perçu sur la Société internationale;

b) Les porteurs d'actions et obligations émises par la Société internationale ne paieront aucun impôt, soit sous forme d'impôt sur le capital, soit sous forme d'impôt sur le revenu, en raison de leur possession de ces titres, actions ou obligations, de l'encaissement de dividendes, ou d'intérêts ou d'un remboursement de capital, lorsqu'ils n'ont pas leur résidence sur le territoire de l'Etat qui perçoit ces impôts.

#### ARTICLE 8.

##### *Exemptions fiscales.*

Les Gouvernements contractants qui acceptent le présent article, désireux de fournir des facilités spéciales pour l'octroi de prêts par la Société internationale aux Sociétés nationales exerçant leur activité sur leur territoire, s'engagent à appliquer, en tout ou en partie, les dispositions suivantes:

a) Aucun droit de timbre, d'enregistrement ou autre droit ne sera perçu à l'occasion d'un acte ou document quelconque concernant: 1<sup>o</sup> l'octroi de prêts par la Société internationale aux Sociétés nationales, 2<sup>o</sup> le prêt aux agriculteurs de l'argent ainsi obtenu par ces Sociétés nationales, et 3<sup>o</sup> tout ce qui se rapporte à la création et à la conservation d'hypothèques garantissant les prêts ainsi consentis aux agriculteurs et à l'exécution du gage;

b) Aucun impôt ne sera perçu sur les intérêts et capitaux versés par les agriculteurs aux Sociétés nationales en raison des prêts que ces Sociétés nationales leur auront consentis sur le produit des emprunts accordés par la Société internationale.

#### ARTICLE 9.

##### *Mode d'acceptation des articles 7 et 8.*

a) L'acceptation totale ou partielle des dispositions des articles 7 et 8 s'effectuera soit par une déclaration faite lors de la signature, de la ratification ou de l'adhésion donnée à la présente Convention, soit par une déclaration adressée ultérieurement au Secrétaire général de la Société des Nations. Ce dernier notifiera cette déclaration aux Gouvernements des Membres de la Société des Nations.

b) Les Gouvernements qui auront donné l'acceptation prévue à l'alinéa précédent auront la faculté de dénoncer les engagements ainsi acceptés à la fin d'une période de quinze ans et à la fin de périodes ultérieures de même durée, en adressant une notification au Secrétaire général de la Société des Nations au cours des six mois précédant le terme de ces périodes.

Cette dénonciation sera sans effet en ce qui concerne l'exemption fiscale des actions et obligations antérieurement émises et des prêts antérieurement consentis.

#### ARTICLE 10.

##### *Conditions éventuelles de l'octroi de prêts aux Sociétés nationales.*

Les Gouvernements contractants reconnaissent que la Société internationale:

1<sup>o</sup> Peut exiger que les Gouvernements des pays dont les Sociétés nationales désirent obtenir des prêts par son entremise prennent certaines mesures législatives destinées à rendre plus efficaces les garanties hypothécaires servant de gage aux prêts consentis;

2<sup>o</sup> Peut exiger, comme condition d'un prêt à une Société nationale, — lorsqu'elle juge, pour une raison quelconque, que les créanciers hypothécaires n'ont pas de garantie suffisante dans le pays où cette Société nationale exerce son activité, — que le Gouvernement de ce pays garantisse le service des obligations qu'elle remettra à la Société internationale en reconnaissance du prêt;

If, as a result of Article 16 of the Covenant of the League of Nations being put into operation, the International Company should be debarred from making payments to certain categories of its creditors or receiving payments from certain categories of its debtors, the contracting Governments undertake to remove all obstacles to such payments as soon as Article 16 ceases to be applied.

#### ARTICLE 7.

##### *Exemptions from Taxation.*

Those contracting Governments which accept the present article, being desirous of affording the International Company special facilities for the issue of its capital and the placing of its bonds, agree to apply all or part of the following provisions:

(a) No tax on income or profits, turnover or capital, shall be imposed on the International Company;

(b) The holders of the shares and bonds issued by the International Company shall not pay any tax, whether in the form of a tax on capital or that of a tax on income, by reason of their possession of the said shares or bonds, or by reason of the receipt of dividends or interest or capital repayments, when they are not resident on the territory of the State which levies such taxes.

#### ARTICLE 8.

##### *Exemptions from Taxation.*

Those contracting Governments which accept the present article, being desirous of affording special facilities for the granting of loans by the International Company to national companies operating in their respective territories, undertake to apply all or part of the following provisions:

(a) No stamp, registration or other duty shall be levied in connection with any deed or document of whatever kind relating: (1) to the grant of loans by the International Company to national companies; (2) the loaning to agriculturists of the money thus obtained by the national companies; and (3) in connection with anything relating to the creation and maintenance of mortgages by way of security for loans thus granted to agriculturists or to the realisation of the security;

(b) No tax shall be levied on interest or capital paid by agriculturists to the national companies in respect of loans granted to them by the companies out of the proceeds of loans accorded by the International Company.

#### ARTICLE 9.

##### *Method of Acceptance of Articles 7 and 8.*

(a) The acceptance, whether total or partial, of the provisions of Articles 7 and 8 shall be effected by means of a declaration made at the time of signing, ratifying or acceding to the present Convention, or by means of a declaration subsequently addressed to the Secretary-General of the League of Nations. The Secretary-General shall notify such declaration to the Governments of the Members of the League.

(b) Governments which have accepted obligations as provided in the preceding paragraph shall be entitled to denounce the obligations so accepted at the end of a period of fifteen years, and at the end of subsequent periods of the same duration, by a notification to the Secretary-General of the League of Nations made within six months before the close of the period in question.

Such denunciation shall have no effect on the exemption from taxation of shares or bonds already issued or loans already granted.

#### ARTICLE 10.

##### *Conditions which may be required for the Grant of Loans to National Companies.*

The contracting Governments recognise that the International Company:

(1) May require that the Governments of countries whose national companies desire to obtain loans through the Company take particular legislative measures for the purpose of rendering more effective the mortgage security enjoyed by the loans which are granted;

(2) May require, as a condition for a loan to a national company—when for any reason it considers that sufficient security is not enjoyed by mortgagees in the country where the national company operates—that the Government of that country shall guarantee the service of the bonds which the national company gives to the International Company in respect of the loan;

3° Peut aussi exiger à son gré comme condition d'un prêt que le Gouvernement du pays où la Société nationale qui demande le prêt exerce son activité accepte tout ou partie des dispositions des articles 7 et 8 ci-dessus, ou s'engage à ne pas majorer le tarif ni rendre plus onéreuses les conditions de perception existantes des impôts visés à l'article 8 ci-dessus et à ne pas créer de nouveaux impôts de ce genre.

#### ARTICLE 11.

##### *Facilités concernant les émissions de la Société internationale.*

Les Gouvernements contractants s'engagent à faciliter dans la mesure où ils le jugeront possible l'émission des actions et des obligations de la Société internationale dans leurs pays respectifs et les négociations ultérieures de ces titres.

#### ARTICLE 12.

##### *Différends :*

##### *1. Entre les Gouvernements contractants.*

Les différends qui naîtraient entre les Gouvernements contractants concernant l'interprétation ou l'application de la présente Convention pourront être soumis par une des parties en cause au Conseil de la Société des Nations, qui s'efforcera de provoquer un arrangement amiable. Si le différend n'est pas soumis au Conseil ou si le Conseil déclare qu'il ne peut concilier les parties, le différend sera soumis pour décision à la Cour permanente de Justice internationale.

##### *2. Entre les Gouvernements contractants et la Société internationale.*

Les différends qui naîtraient entre les Gouvernements contractants et la Société internationale concernant l'interprétation ou l'application de la présente Convention ou des engagements particuliers pris par les Gouvernements vis-à-vis de la Société internationale relativement à des opérations de prêt, pourront être soumis par les Gouvernements ou par la Société internationale au Conseil de la Société des Nations, qui s'efforcera de provoquer un arrangement amiable. Si le différend n'est pas soumis au Conseil ou si le Conseil déclare qu'il ne peut concilier les parties, l'une de celles-ci pourra porter le différend devant un tribunal arbitral, qui décidera. Le tribunal comprendra trois membres: un membre sera nommé par le Conseil après consultation du Conseil d'administration de la Société internationale; un autre membre sera nommé par le Conseil après consultation du Gouvernement ou des Gouvernements en cause; le troisième membre, qui présidera le tribunal, sera nommé par le président de la Cour permanente de Justice internationale, s'il consent à procéder à cette nomination, et, dans le cas contraire, par le Conseil de la Société des Nations. Les parties rédigeront un compromis. Faute de conclusion d'un compromis dans un délai de deux mois à partir de la constitution du tribunal, celui-ci pourra être saisi par la requête de l'une des parties. Le tribunal pourra prier le Conseil de solliciter de la Cour permanente de Justice internationale un avis consultatif. Le tribunal devra se conformer à l'avis de la Cour.

#### ARTICLE 13.

##### *Langue, date.*

La présente Convention, qui portera la date de ce jour, est rédigée en français et en anglais; dans le cas de divergence entre les deux textes, le texte français fera foi.

#### ARTICLE 14.

##### *Signatures, ratifications.*

La présente Convention sera ouverte à la signature de tout Gouvernement d'un Membre européen de la Société des Nations jusqu'au 30 septembre 1931. Elle sera ratifiée, et les instruments de ratification seront déposés aussitôt que possible auprès du Secrétaire général de la Société des Nations, qui notifiera leur réception à tous les Membres de la Société.

#### ARTICLE 15.

##### *Adhésions.*

a) Après l'expiration d'un délai de cinq années à partir de la date mentionnée à l'article précédent, tout Gouvernement d'un Membre européen de la Société des Nations qui n'aura pas signé la Convention pourra demander à y adhérer. La demande sera adressée au Secrétaire général de la Société des Nations qui la communiquera à tous les Gouvernements qui auront ratifié la Convention ou y auront adhéré. Si la majorité de ces Gouvernements, comprenant les voix de Gouvernements ayant fourni un total de 75% des sommes versées en application de l'article 5, sans tenir compte de tout remboursement effectué à quelque titre que ce soit, y consent, le Gouvernement en question pourra adhérer à la Convention au moyen d'une notification adressée au Secrétaire général. Le Secrétaire général notifiera cette adhésion à tous les Membres de la Société des Nations.

b) Après l'expiration du même délai de cinq années, le Conseil de la Société des Nations, décidant à la majorité des voix, pourra, sur l'avis favorable du Conseil d'administration de la Société internationale, et avec l'agrément de la majorité des Gouvernements contractants, comprenant les voix de Gouvernements ayant fourni un total de 75% des sommes versées en application de l'article 5, sans tenir compte de tout remboursement effectué à quelque titre que ce soit, fixer dans chaque cas les conditions dans lesquelles le Gouvernement d'un Membre non européen de la Société des Nations sera admis à adhérer à la présente Convention.

(3) May also in its discretion require as a condition of a loan that the Government of the country in which the national company requesting the loan operates shall accept all or part of the provisions of Article 7 and Article 8 above, or shall undertake not to increase the rates or render more onerous the existing conditions of collection of the taxes referred to in Article 8, and not to impose new taxation of that nature.

ARTICLE II.

*Facilities for the Issue of Shares and Bonds by the International Company.*

The contracting Governments undertake to facilitate, so far as they find it possible to do so, the issue in their respective countries of shares and bonds of the International Company and the subsequent negotiation of these securities.

ARTICLE 12.

*Disputes.*

1. *Between Contracting Governments.*

Any disputes arising between contracting Governments in regard to the interpretation or application of the present Convention may be submitted by one of the parties concerned to the Council of the League of Nations, which shall endeavour to promote an amicable settlement. If the dispute is not submitted to the Council, or if the Council declares that it is unable to bring about an agreement between the parties, the dispute shall be submitted for decision to the Permanent Court of International Justice.

2. *Between the Contracting Governments and the International Company.*

Any disputes arising between the contracting Governments and the International Company with regard to the interpretation or application of the present Convention, or of particular undertakings given by the Governments to the International Company in connection with loan operations, may be submitted by the Governments or by the International Company to the Council of the League of Nations, which shall endeavour to promote an amicable settlement. If the dispute is not submitted to the Council, or if the Council declares that it is unable to bring about an agreement between the parties, one of the latter may bring the dispute before an arbitral tribunal for decision. The tribunal shall consist of three members: one shall be appointed by the Council after consulting the Board of Directors of the International Company, another shall be appointed by the Council after consulting the Government or Governments concerned, and the third, who shall act as President of the tribunal, shall be appointed by the President of the Permanent Court of International Justice, if he is willing to make such appointment, or, if he is not willing, by the Council of the League of Nations. The parties shall draw up a submission. Failing agreement on a submission within a period of two months after the tribunal has been set up, the dispute may be brought before the tribunal by an application by any party. The tribunal may ask the Council to apply to the Permanent Court of International Justice for an advisory opinion. The tribunal shall conform to the opinion of the Court.

ARTICLE 13.

*Language and Date.*

The present Convention, which shall bear to-day's date, is drawn up in French and in English; in the event of divergence between the two texts, the French text shall be authoritative.

ARTICLE 14.

*Signatures and Ratifications.*

The present Convention shall be open to signature by the Government of any European Member of the League of Nations until September 30th, 1931. It shall be ratified and the instruments of ratification shall be deposited as soon as possible with the Secretary-General of the League of Nations, who shall notify all Members of the League of their receipt.

ARTICLE 15.

*Accessions.*

(a) After the expiration of a period of five years from the date mentioned in the preceding article, the Government of any European Member of the League of Nations which has not signed the Convention may apply to accede to it. Such application shall be addressed to the Secretary-General of the League, who shall communicate it to all the Governments which have ratified or acceded to the Convention. If the majority of such Governments comprising Governments which (disregarding any repayments of whatever kind that may have been made) have provided 75 per cent of the total sums paid under Article 5 agree thereto, the Government in question may accede to the Convention by means of a notification addressed to the Secretary-General. The Secretary-General shall notify such accession to all the Members of the League of Nations.

(b) After the expiration of the same period of five years, the Council of the League of Nations may, by a majority vote, on the recommendation of the Board of Directors of the International Company and with the agreement of a majority of the contracting Governments comprising Governments which (disregarding any repayments of whatever kind that may have been made) have provided 75 per cent of the total sums paid under Article 5, determine for each case the conditions on which the Government of a non-European Member of the League of Nations may be admitted to accede to the present Convention.



ARTICLE 16.

*Entrée en vigueur de la Convention.*

La présente Convention entrera en vigueur dès que le montant des contributions à la réserve spéciale obligatoires ou volontaires dues par les Gouvernements ayant ratifié la Convention aura atteint la somme de vingt-cinq millions de francs. Si cette éventualité ne se réalisait pas avant le 31 décembre 1931, une conférence des Gouvernements ayant ratifié la Convention devrait être convoquée par le Conseil de la Société des Nations. Cette conférence fixerait de nouvelles conditions pour la mise en vigueur de la Convention.

ARTICLE 17.

*Revision ou abrogation de la Convention.*

a) A l'expiration de trente années à partir de la mise en vigueur de la présente Convention, et à l'expiration des périodes subséquentes de dix années, le Conseil de la Société des Nations pourra, de son propre mouvement, et devra, à la demande d'un Gouvernement contractant, convoquer une conférence à laquelle seront invités tous les Gouvernements contractants afin de décider si la présente Convention doit ou ne doit pas être révisée ou abrogée. Cette conférence devra se réunir dans les six mois qui suivront l'expiration des périodes susindiquées. Les décisions de cette conférence seront prises à la majorité des Gouvernements représentés, à condition que cette majorité comprenne les voix de Gouvernements ayant fourni un total de 75 % des sommes versées en application de l'article 5, sans tenir compte de tout remboursement effectué à quelque titre que ce soit. Ces décisions seront obligatoires pour tous les Gouvernements contractants. Toutefois, s'il s'agissait d'étendre ou d'aggraver les obligations des Gouvernements concernant les privilèges et immunités de la Société internationale, la conférence ne pourrait décider qu'avec le consentement de tous les Gouvernements intéressés.

Au cas où, dans un délai de six mois à partir de la notification des décisions de la conférence à la Société internationale, l'Assemblée générale extraordinaire de cette Société, statuant dans les conditions prévues à l'article 44 des Statuts, déclarerait qu'elle juge inacceptable la revision décidée par la conférence, les Gouvernements auront la faculté d'abroger la Convention six mois après la décision de l'Assemblée générale.

b) A tout moment, le Conseil de la Société des Nations pourra, et, à la demande de la moitié des Gouvernements contractants, devra convoquer une conférence à laquelle seront invités tous les Gouvernements contractants en vue de la revision de la Convention. Cette revision ne pourra être réalisée qu'avec l'unanimité des Gouvernements contractants et avec le consentement de l'Assemblée générale extraordinaire de la Société internationale statuant dans les conditions prévues à l'article 44 des Statuts.

ARTICLE 18.

*Cas de revision de la Convention.*

Au cas où la présente Convention serait révisée en application de l'article 17, la Société internationale, pour tout ce qui concerne les opérations antérieures à la revision de la Convention, et les porteurs d'actions et d'obligations, pour tous les titres émis antérieurement à cette revision, continueront à jouir, nonobstant la revision de la Convention, du régime d'immunités fiscales et autres qui était en vigueur par application de la Convention et de la Charte avant la revision.

ARTICLE 19.

*Cas d'abrogation de la Convention.*

Au cas où la présente Convention serait abrogée en application de l'article 17, l'Assemblée générale extraordinaire de la Société internationale serait convoquée pour décider si la Société doit être mise en liquidation ou si elle doit continuer son activité sous une autre forme.

Dans le cas d'une liquidation de la Société internationale, durant toute la période de liquidation, la Société, les actionnaires et les porteurs d'obligations continueront à jouir du régime prévu par la présente Convention, notamment des immunités fiscales et autres.

Dans le cas où la Société internationale continuerait son activité sous une autre forme, la Société internationale, pour tout ce qui concerne les transactions antérieures et les porteurs d'actions et d'obligations, pour tous les titres émis antérieurement, continueront à jouir du régime d'immunités fiscales et autres qui était en vigueur, ainsi que des garanties spéciales prévues aux articles 21 et 50 des Statuts. Il ne pourra, d'autre part, être porté aucune atteinte aux droits des Gouvernements en ce qui concerne les avances qu'ils auront consenties en application de l'article 5 ci-dessus.

EN FOI DE QUOI les plénipotentiaires ont signé la présente Convention.

FAIT à Genève, le vingt et un mai mil neuf cent trente et un, en simple expédition qui sera déposée dans les archives du Secrétariat de la Société des Nations; copie conforme en sera transmise à tous les Membres de la Société des Nations.

ARTICLE 16.

*Coming into Force of the Convention.*

The present Convention shall come into force as soon as the amount of the contributions, whether obligatory or voluntary, to the Special Reserve due from the Governments which have ratified the Convention attains the sum of twenty-five million francs. If this condition is not realised before December 31st, 1931, a Conference of the Governments which have ratified the Convention shall be called by the Council of the League of Nations. This Conference will determine new conditions for the coming into force of the Convention.

ARTICLE 17.

*Revision or Abrogation of the Convention.*

(a) On the expiration of thirty years from the coming into force of the present Convention, and on the expiration of subsequent periods of ten years, the Council of the League of Nations may, on its own initiative, and shall, at the request of a contracting Government, call a Conference, to which all the contracting Governments shall be invited, in order to decide whether the present Convention should or should not be revised or abrogated. The Conference must meet within six months of the expiration of the relative period. The decisions of the Conference shall be taken by a majority of the Governments represented, on condition that the majority comprises the votes of Governments which (disregarding any repayments of whatever kind that may have been made) have provided 75 per cent of the total sums paid under Article 5. The decisions of the Conference shall be binding on all the contracting Governments. If, however, it is proposed to extend or increase the obligations of the Governments in regard to the privileges and immunities of the International Company, the Conference may only act with the consent of all the Governments which are affected.

If, within six months of the notification of the decisions of the Conference to the International Company, an extraordinary general meeting of the Company, acting in accordance with Article 44 of its Statutes, declares that it cannot accept the revision decided on by the Conference, the Governments shall have the right to abrogate the Convention six months after the decision of the general meeting.

(b) The Council of the League of Nations may, and at the request of half of the contracting Governments shall, call at any time a Conference, to which all the contracting Governments shall be invited, with a view to revision of the Convention. Such revision may not be effected without the consent of all the contracting Governments and that of an extraordinary general meeting of the International Company acting in accordance with Article 44 of its Statutes.

ARTICLE 18.

*Case in which the Convention is revised.*

In the event of the present Convention's being revised in pursuance of Article 17, the International Company, as regards its transactions previous to the revision of the Convention, and the holders of its shares and bonds as regards all issues previous to the revision, shall, notwithstanding the revision of the Convention, continue to enjoy the immunities from taxation and other immunities which were in force under the Convention and the Charter before the revision.

ARTICLE 19.

*Case in which the Convention is abrogated.*

In the event of the present Convention's being abrogated in pursuance of Article 17, an extraordinary general meeting of the International Company shall be called to decide whether it shall be wound up or shall continue to operate in some other form.

In the event of the International Company's being wound up, the Company, its shareholders and bondholders shall continue throughout the period of liquidation to have the benefit of the regime provided for by the present Convention and, in particular, the immunities from taxation and other immunities.

In the event of the International Company's continuing to operate in some other form, the Company, as regards previous transactions, and the holders of its shares and bonds as regards all issues previously made, shall continue to enjoy the immunities from taxation and other immunities hitherto in force, together with the special guarantees for which provision is made in Articles 21 and 50 of the Statutes. On the other hand, the rights of the Governments in respect of the advances which they have made under Article 5 above shall be preserved intact.

IN FAITH WHEREOF, the Plenipotentiaries have signed the present Convention.

DONE at Geneva, the twenty-first day of May, one thousand nine hundred and thirty-one, in a single copy, which shall be deposited in the archives of the Secretariat of the League of Nations, and of which authenticated copies shall be delivered to all Members of the League.

Annexe à la Convention.

CHARTRE CONSTITUTIVE DE LA SOCIÉTÉ INTERNATIONALE DE  
CRÉDIT HYPOTHÉCAIRE AGRICOLE.

Considérant que les Gouvernements de . . . . .

. . . . .  
ont conclu une Convention pour l'établissement d'une Société internationale de Crédit hypothécaire agricole;

Et considérant que, conformément aux dispositions de ladite Convention, le Gouvernement suisse s'est engagé: 1<sup>o</sup> à accorder la présente Charte constitutive à ladite Société internationale, à ne pas abroger cette Charte, à ne pas y apporter de modifications ou d'additions, si ce n'est dans les conditions prévues au paragraphe 2 de l'article 2 de la Convention; 2<sup>o</sup> à ne pas sanctionner d'amendements aux articles des Statuts de la Société internationale visés au paragraphe 3 de la présente Charte, si ce n'est dans les conditions prévues au paragraphe 3 de l'article 2 de ladite Convention et au paragraphe 3 de la présente Charte:

1. La personnalité juridique est conférée par la présente Charte à la Société internationale de Crédit hypothécaire agricole (ci-après dénommée Société internationale).

2. L'organisation de la Société internationale, son fonctionnement et son champ d'activité sont définis et régis par les Statuts annexés qui sont sanctionnés par la présente Charte.

3. Les articles 2, 3, 4, 7 (premier alinéa), 21, 22, 23 (n<sup>os</sup> 1<sup>o</sup>, 2<sup>o</sup> et 3<sup>o</sup> seulement), 24, 37 (dernier alinéa), 44, 59, 66 (premier alinéa), 67, 69, 70 et 71 desdits statuts ne pourront être modifiés que dans les conditions suivantes:

Les modifications devront être adoptées par une majorité des deux tiers du Conseil d'administration et approuvées par l'Assemblée générale extraordinaire dans les conditions prévues à l'article 44 des Statuts. Elles devront ensuite être approuvées par les Gouvernements contractants dans les conditions prévues à l'article 2 de la Convention et sanctionnées par une loi complémentaire de la présente Charte.

4. Les modifications aux articles desdits Statuts autres que celles énumérées au paragraphe 3 ci-dessus pourront être effectuées par la Société internationale conformément à ces Statuts.

5. Lesdits Statuts et les modifications qui pourront y être apportées, conformément aux dispositions des paragraphes 3 et 4 ci-dessus, seront valables et auront effet nonobstant toute contradiction avec les dispositions présentes ou futures du droit suisse.

Les dispositions du droit suisse s'appliqueront à titre supplétif si elles ne sont pas en opposition avec lesdits Statuts.

6. La Société internationale sera exempte de tous droits, taxes et impôts rentrant dans les catégories suivantes:

a) Droits, taxes et impôts sur tous actes et autres documents ayant trait à la constitution ou à la liquidation de la Société internationale;

b) Droits, taxes et impôts perçus à l'occasion de l'émission et de la transmission des actions ou obligations de la Société internationale. Cette disposition ne porte pas atteinte au droit du Gouvernement suisse de prélever, autrement que par l'intermédiaire de la Société internationale, les droits, taxes et impôts prévus par sa législation, à l'occasion de l'émission et de la transmission, sur son marché, desdites actions et obligations;

c) Droits, taxes et impôts sur le capital de la Société internationale, ses revenus, ses réserves, avoirs, dépôts et créances ainsi que les intérêts y afférents et ses bénéfices distribués ou non, quel que soit le mode ou le moment de la perception;

d) Droits, taxes et impôts sur le chiffre d'affaires et, d'une manière générale, toutes impositions perçues à l'occasion des opérations de la Société internationale.

e) Toute patente, taxe professionnelle et autres impôts de même genre;

f) Droits, taxes et impôts perçus à l'occasion d'actes ou documents quelconques concernant l'octroi de prêts par la Société internationale aux Sociétés nationales de crédit hypothécaire ayant leur siège ailleurs qu'en Suisse, notamment à l'occasion de la remise d'obligations par ces Sociétés nationales à la Société internationale.

Les stipulations du présent paragraphe ne portent pas atteinte au droit du Gouvernement suisse, d'imposer les personnes résidant en Suisse, autres que la Société internationale.

7. Les remboursements aux Gouvernements, par la Société internationale, des avances consenties en application de l'article 5 de la Convention seront exempts d'impôt, quel que soit le mode selon lequel l'impôt aurait été perçu.

**Annex to the Convention.**

**CONSTITUENT CHARTER OF THE INTERNATIONAL AGRICULTURAL MORTGAGE CREDIT COMPANY.**

Whereas the Governments of . . . . .  
have concluded a Convention for the establishment of an International Agricultural Mortgage Credit Company;

And whereas, under the provisions of that Convention, the Swiss Government has undertaken: (1) to grant the present constituent Charter to the International Company and not to revoke this Charter and not to introduce any modifications or additions except in accordance with paragraph 2 of Article 2 of the Convention; (2) not to sanction amendments to the articles of the Statutes of the International Company enumerated in paragraph 3 of the present Charter except in accordance with paragraph 3 of Article 2 of the Convention and paragraph 3 of the present Charter:

1. The International Agricultural Mortgage Credit Company (hereinafter called the International Company) is hereby incorporated.

2. The organisation of the International Company, its operations and activities are defined and governed by the annexed Statutes, which are brought into force by the present Charter.

3. Articles 2, 3, 4, 7 (first paragraph), 21, 22, 23 (sub-paragraphs numbered 1, 2 and 3) 24, 37 (last paragraph), 44, 59, 66 (first paragraph), 67, 69, 70 and 71 of the said Statutes shall not be amended except subject to the following conditions:

The amendments must be adopted by a two-thirds majority of the Board of Directors and approved by an extraordinary general meeting acting in accordance with Article 44 of the Statutes. They must then be approved by the contracting Governments in the manner provided in Article 2 of the Convention and brought into force by a law supplementing the present Charter.

4. Amendments to articles of the said Statutes, other than those enumerated in paragraph 3 above, may be made by the International Company in accordance with the Statutes.

5. The said Statutes, and any amendments which may be made thereto in accordance with paragraphs 3 or 4 above, shall be valid and operative notwithstanding any inconsistency therewith in the provisions of any present or future Swiss law.

The provisions of Swiss law shall supplement those of the said Statutes if they are not inconsistent therewith.

6. The International Company shall be exempt from all duties, charges and taxes falling within the following categories:

(a) Duties, charges and taxes on all deeds or other documents relating to the creation or winding up of the International Company;

(b) Duties, charges and taxes in connection with the issue or transfer of shares or bonds of the International Company. This provision shall be without prejudice to the right of the Swiss Government to levy under its legislation, otherwise than through the International Company duties, charges and taxes in connection with the issue and transfer in its market of the said shares and bonds;

(c) Duties, charges and taxes on the International Company's capital, income, reserves, holdings, deposits and debts due to it, together with interest earned thereon, and its profits, whether distributed or not, irrespective of the method or moment of collection;

(d) Duties, charges and taxes upon turnover and, in general, all taxation upon the operations of the International Company;

(e) Any licence, professional tax or other similar tax;

(f) Duties, charges and taxes in connection with deeds or documents of whatever kind relating to the grant of loans by the International Company to national mortgage or agricultural credit companies not having their registered offices in Switzerland, particularly in connection with the delivery of bonds to the International Company by such national companies.

The provisions of the present paragraph are without prejudice to the right of the Swiss Government to tax persons residing in Switzerland, other than the International Company.

7. The repayments by the International Company to the Governments of the advances made by them under Article 5 of the Convention shall be exempt from taxation in whatever form collected.

8. Les susdites exemptions et immunités s'appliqueront aux impôts présents et futurs, de quelque nom qu'on les désigne et quelle que soit l'autorité publique qui les lève.

9. En outre, sans préjudice des exemptions indiquées plus haut, il ne pourra être perçu sur la Société internationale, ses opérations ou son personnel, aucun impôt qui n'aura pas un caractère général et auquel les autres établissements financiers ayant leur siège à Genève ou en Suisse, leurs opérations et leur personnel ne seraient pas assujettis en droit et en fait.

10. La Société internationale, ses biens et avoirs, ainsi que toutes remises effectuées par ou au profit de la Société internationale résultant d'opérations faites par elle dans l'exercice normal de son activité, ne pourront faire, ni en temps de paix ni en temps de guerre, et alors même que la Suisse, serait en guerre avec d'autres Etats, l'objet d'aucune mesure, telle que réquisition, confiscation, défense ou restriction de la faculté d'effectuer des paiements à l'étranger ou de recevoir des paiements provenant de l'étranger, ou de toute autre mesure analogue. En outre, lesdites remises ne pourront faire l'objet d'aucune mesure ayant pour effet d'empêcher que le paiement de dettes qui ont été libellées en monnaies étrangères ou en or soit fait dans la ou les monnaies stipulées au contrat ou, le cas échéant, en or, et de telle façon que la somme payée soit égale, pour chaque unité monétaire de la dette, à l'équivalent légal en or de cette ou de ces monnaies à la date du contrat.

Au cas où, par suite de l'application de l'article 16 du Pacte de la Société des Nations, la Société internationale ne serait pas en droit de faire des paiements à certaines catégories de ses créanciers ou ne pourrait recevoir des paiements de certaines catégories de ses débiteurs, le Gouvernement suisse devra lever tout obstacle à l'exécution desdits paiements dès que l'application susvisée de l'article 16 cessera.

11. Les différends qui naîtraient entre le Gouvernement suisse et la Société internationale concernant l'interprétation ou l'application de la présente Charte pourront être soumis par l'une des parties au Conseil de la Société des Nations, qui s'efforcera de provoquer un arrangement amiable. Si le différend n'est pas soumis au Conseil ou si le Conseil déclare qu'il ne peut concilier les parties, le différend sera soumis à la décision d'un Tribunal arbitral, dans les conditions prévues à l'article 12 de la Convention pour la création de la Société internationale.

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## STATUTS DE LA SOCIÉTÉ INTERNATIONALE DE CRÉDIT HYPOTHÉCAIRE AGRICOLE

### CHAPITRE I. — NOM, SIÈGE, DURÉE, OBJET.

#### *Article premier.*

Il est constitué, sous les auspices de la Société des Nations, une société anonyme dont la raison sociale est « Société internationale de Crédit hypothécaire agricole » (ci-après dénommée « la Société internationale »).

#### *Article 2.*

Le siège social de la Société internationale est établi à Genève.  
Sa durée n'est pas limitée.

#### *Article 3.*

La Société internationale a pour objet:

1<sup>o</sup> De prêter des sommes remboursables à long terme avec amortissement, ou remboursables à moyen terme avec ou sans amortissement, à des sociétés ou instituts de crédit hypothécaire ou agricole qui font, soit par eux-mêmes, soit par l'intermédiaire d'autres sociétés ou instituts ayant leur siège dans le même pays, des prêts en première hypothèque sur des immeubles faisant l'objet d'une exploitation rurale ou servant à une exploitation de cette nature (ci-après dénommés « Sociétés nationales »).

2<sup>o</sup> De créer et de négocier des obligations dont la valeur de remboursement ne doit pas dépasser, sauf le cas prévu à l'article 51, le montant de ses créances sur les Sociétés nationales garanties par de premières hypothèques inscrites au nom de ces sociétés, leur appartenant ou détenues par elles à titre de gage.

#### *Article 4.*

Ne pourront recevoir les prêts visés aux présents Statuts que les Sociétés nationales ayant leur siège sur le territoire des Gouvernements parties à la Convention pour la création de la Société internationale (ci-après dénommée « la Convention »).

8. The foregoing exemptions and immunities shall apply to present and future taxation by whatsoever name it may be described and by whatsoever public authority it may be levied.

9. Moreover, without prejudice to the exemptions specified above, there may not be levied on the International Company, its operations or its staff, any taxation which is not of a general character and to which other financial establishments with registered offices at Geneva or in Switzerland, their operations and their personnel, are not subjected *de facto* and *de jure*.

10. The International Company, its property and assets, and all remittances effected by or to the International Company and resulting from transactions carried out by it in the normal course of its business, shall be exempt in time of peace and in time of war, even if Switzerland should be at war with other States, from any measure such as requisition, confiscation, prohibition or restriction of the power to make payments abroad or to receive payments from abroad and any other similar measure. These remittances shall further be exempt from any measure preventing debts expressed in foreign currency, or in gold, from being paid in the currency or currencies stipulated, or in gold, and in such manner that the sum paid equals, for each monetary unit of the debt, the legal equivalent in gold of such currency or currencies at the date of the contract.

If, as a result of Article 16 of the Covenant of the League of Nations being put into operation, the International Company should be debarred from making payments to certain categories of its creditors, or receiving payments from certain categories of its debtors, the Swiss Government shall remove all obstacles to such payments as soon as Article 16 ceases to be applied.

11. Any disputes arising between the Swiss Government and the International Company in regard to the interpretation or application of the present Charter may be submitted by one of the parties to the Council of the League of Nations, which shall endeavour to promote an amicable settlement. If the dispute is not submitted to the Council, or if the Council declares that it is unable to bring about an agreement between the parties, the dispute shall be submitted to an arbitral tribunal for decision under the conditions provided in Article 12 of the Convention for the creation of the International Company.

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## STATUTES OF THE INTERNATIONAL AGRICULTURAL MORTGAGE CREDIT COMPANY.

### CHAPTER I. — NAME, REGISTERED OFFICE, DURATION, OBJECTS.

#### *Article 1.*

There is created under the auspices of the League of Nations a limited liability company under the name of the International Agricultural Mortgage Credit Company (hereinafter called "the International Company").

#### *Article 2.*

The registered office of the International Company shall be situated at Geneva. Its duration is not limited.

#### *Article 3.*

The objects of the International Company are:

1. To make long-term loans with amortisation, or medium-term loans with or without amortisation, to mortgage or agricultural credit companies or institutions (hereinafter called "national companies") which, either directly or through other companies having their registered offices in the same country, make loans upon first mortgages on immovable property which is the subject of agricultural cultivation or used for the purposes of such cultivation.

2. To create and negotiate bonds the sums repayable on which may not (except in the case provided for in Article 51) exceed the amount of the debts due from the national companies to the International Company and secured by first mortgages registered in the name of the national companies, belonging to them or held by them as security.

#### *Article 4.*

The loans for which the present Statutes provide may be accorded only to national companies having their registered offices in the territory of the Governments which are parties to the Convention for the establishment of the International Company (hereinafter called "the Convention").



*Article 5.*

La Société internationale ne peut faire aucune opération d'achat de ses propres actions ou de report ou d'avance sur ces actions.

La Société internationale ne peut acquérir d'autres immeubles que ceux jugés nécessaires à son fonctionnement, ou ceux dont elle serait obligée de se rendre propriétaire pour recouvrer une créance.

*Article 6.*

La souscription du capital de la Société internationale pourra être ouverte lorsque la Convention sera entrée en vigueur et que la Charte aura été concédée.

La Société internationale pourra commencer ses opérations à compter de la déclaration du Conseil d'administration (ci-après dénommé le Conseil), constatant que les dix mille actions A visées à l'article 12 ont été souscrites.

CHAPITRE II. — CAPITAL ET RÉSERVE SPÉCIALE.

*Article 7.*

Le capital de la Société internationale est exprimé en francs suisses or, le franc-or équivalant à 0,290 322 580 640 grammes d'or fin.

Sous réserve des dispositions de l'article 14, le capital autorisé est fixé à deux cent cinquante millions de francs suisses or et divisé en actions de deux mille cinq cents francs, dont dix mille actions A et quatre-vingt-dix mille actions B.

*Article 8.*

Dans les Assemblées générales, les propriétaires d'actions A ont une voix par action et les propriétaires d'actions B une voix par quinze actions.

Les actions A et B jouissent de droits égaux dans la répartition des bénéfices et toute distribution d'actif de la Société internationale.

*Article 9.*

Toutes les actions seront entièrement libérées au plus tard un mois après leur répartition entre les souscripteurs.

Les actionnaires ne sont engagés que jusqu'à concurrence du capital de chaque action; au delà, tout appel de fonds est interdit.

*Article 10.*

Les actions A sont nominatives. Toute cession d'action A est soumise à l'agrément du Conseil. Les actions B peuvent être nominatives ou au porteur.

*Article 11.*

Toute action est indivisible. Dans le cas où une action appartient à plusieurs personnes celles-ci doivent s'entendre pour désigner celle d'entre elles qui exercera le droit de vote.

Le dividende de toute action est valablement payé au porteur du coupon.

*Article 12.*

Sur le capital autorisé, une première tranche de vingt-cinq millions de francs sera immédiatement émise. Cette première tranche sera composée des dix mille actions A.

Elles seront mises en souscription dans chacun des pays dont les Gouvernements seront parties à la Convention.

La part de cette première tranche qui sera mise en souscription dans chaque pays sera proportionnelle à la part pour laquelle le Gouvernement de ce pays se sera engagé à contribuer aux avances prévues à l'article 5 de la Convention. Au cas où la part revenant à un pays ne serait pas entièrement souscrite, la fraction de part ainsi devenue disponible serait répartie, autant qu'il sera possible, entre les autres pays au prorata de la part à laquelle ils ont droit.

Le Comité d'organisation prévu par la Convention prendra les mesures nécessaires en vue de cette émission d'actions A.

Dans chaque pays, une préférence sera donnée aux souscriptions provenant de sociétés ou instituts de crédit hypothécaire ou agricole. Lorsqu'il existe dans le pays des lois organiques de caractère général desdites sociétés ou instituts, le droit de préférence appartient à celles d'entre elles qui sont autorisées et constituées conformément à l'une de ces lois organiques.

*Article 13.*

Le Conseil prendra, lorsqu'il le jugera opportun, les mesures nécessaires pour la mise en souscription de toute fraction non émise du capital autorisé (actions B).

*Article 5.*

The International Company may not purchase or carry over its own shares or make advances against such shares.

The International Company may not acquire immovable property other than that which is considered necessary for the conduct of its own business, or of which it is obliged to acquire the ownership in order to obtain payment of a debt.

*Article 6.*

The capital of the International Company may be offered for subscription as soon as the Convention has come into force and the Charter been granted.

The International Company may commence business as soon as the Board of Directors (hereinafter called "the Board") has adopted a resolution recording that the ten thousand A shares mentioned in Article 12 have been subscribed.

CHAPTER II. — CAPITAL AND SPECIAL RESERVE.

*Article 7.*

The capital of the International Company is expressed in gold Swiss francs, the gold franc being equivalent to 0.290 322 580 640 grammes of fine gold.

Subject to the provisions of Article 14, the authorised capital is fixed at two hundred and fifty million gold Swiss francs and is divided into shares of two thousand five hundred francs, of which ten thousand shall be A shares and ninety thousand B shares.

*Article 8.*

At general meetings the holders of A shares shall have one vote per share and the holders of B shares one vote for every fifteen shares.

The A and B shares shall carry equal rights in the division of profits and in any distribution of the assets of the International Company.

*Article 9.*

All the shares shall be fully paid up at latest one month after allocation.

The liability of shareholders is limited to the capital amount of each share; no claim for payments in excess of that amount is allowable.

*Article 10.*

The A shares are registered. Transfer of an A share is subject to the approval of the Board. The B shares may be either registered or bearer shares.

*Article 11.*

All shares are indivisible. In the event of a share belonging to several persons, the latter must come to an agreement for the appointment of one of their number to exercise the right of voting.

The dividend on any share shall be validly paid to the holder of the coupon.

*Article 12.*

Of the authorised capital a first block of twenty-five million francs shall be issued immediately. This first block shall be composed of the ten thousand A shares.

They shall be offered for subscription in each of the countries whose Governments are parties to the Convention.

The part of this first block to be issued in each country shall be in proportion to the amount which the Government of that country has undertaken to contribute to the advances provided for in Article 5 of the Convention. If the part allotted to a country is not subscribed in full, the fraction thereof which thus becomes available shall, as far as possible, be distributed between the other countries in proportion to the parts to which they are entitled.

The Organisation Committee for which the Convention provides shall take the steps required for this issue of A shares.

In each country a preference shall be given to subscriptions from mortgage or agricultural credit companies or institutions. In countries possessing legislation of a general character concerning the organisation of such companies or institutions, the preference shall be given to such of those companies as have been authorised and constituted under the provisions of such legislation.

*Article 13.*

The Board will, as and when it thinks fit, offer for subscription any unissued part of the authorised capital (B shares).

*Article 14.*

Le capital autorisé de la Société internationale peut être augmenté. Le capital émis peut être diminué par la réduction de la valeur nominale de chaque action. Ces mesures sont décidées, sur la proposition du Conseil faite à la majorité des deux tiers de ses membres, par l'Assemblée générale extraordinaire dans les conditions prévues à l'article 44.

*Article 15.*

Les propriétaires des actions A antérieurement émises ont un droit de préférence à la souscription des actions B de la première émission.

Les propriétaires des actions A et B antérieurement émises ont un droit égal de préférence à la souscription des nouvelles actions B.

Les actionnaires qui n'ont pas un nombre d'actions anciennes suffisant pour obtenir au moins une action de la nouvelle émission peuvent se réunir pour exercer leur droit.

Le Conseil fixe les conditions et les délais pour l'exercice du droit de préférence.

En cas d'augmentation du capital autorisé, les propriétaires d'actions anciennes ont un droit de préférence à la souscription des actions nouvelles. L'exercice de ce droit de préférence est réglé par l'Assemblée générale qui décide l'augmentation du capital, dans les conditions prévues à l'article 44.

*Article 16.*

Le Conseil fixe toutes les conditions de l'émission et spécialement, s'il y a lieu, le montant de la prime à verser en sus de la valeur nominale de chaque action. Le produit de cette prime est porté à un compte de réserve.

*Article 17.*

Il ne peut pas être émis d'actions au-dessous du pair.

*Article 18.*

La propriété des actions nominatives et leur transfert s'établissent par l'inscription du nom de l'actionnaire sur les registres de la Société internationale.

Les actions au porteur se transmettent par simple tradition.

La propriété d'actions de la Société internationale emporte adhésion à ses Statuts. Il sera fait mention de cet alinéa sur les titres d'actions.

*Article 19.*

Les héritiers ou créanciers d'un actionnaire ne peuvent, sous quelque prétexte que ce soit, provoquer l'apposition des scellés sur les biens et valeurs de la Société internationale, pratiquer une saisie ou une opposition sur ces biens et valeurs, ni en demander le partage ou la licitation. Ils ne peuvent s'immiscer en aucune manière dans l'administration de ladite Société internationale, et ils sont tenus, pour l'exercice de leurs droits, de s'en rapporter aux inventaires sociaux et aux délibérations de l'Assemblée générale.

*Article 20.*

Le capital social peut être investi:

1<sup>o</sup> Pour un dixième au plus, dans les meubles et, le cas échéant, les immeubles destinés à l'établissement du siège social ou nécessaires au fonctionnement des services;

2<sup>o</sup> Pour un tiers au plus, en ouvertures de crédit ou prêts garantis les uns et les autres par des hypothèques de premier rang et réalisés dans les conditions prévues aux présents Statuts.

*Article 21.*

En sus du capital social, la réserve spéciale prévue à l'article 5<sup>o</sup> de la Convention est dès maintenant constituée, au moyen des avances consenties par les Gouvernements, comme garantie des engagements de la Société internationale. Cette réserve est formée de la manière suivante:

Les avances des Gouvernements, s'élevant à vingt-cinq millions de francs suisses or, équivalant à 7.258.064,516 grammes d'or fin, sont portées dans les écritures de la Société internationale à un compte nommé « Fonds de réserve spéciale A, constitué au moyen des avances des Gouvernements ».

Ces avances sont remboursées aux Gouvernements proportionnellement à leurs contributions respectives, dans les conditions prévues aux articles 67 et 69 ci-après.

Au fur et à mesure des remboursements prévus à l'article 67, des sommes équivalentes sont transférées du compte ci-dessus mentionné à un autre compte nommé « Fonds de réserve spéciale B, constitué par la Société internationale ».

*Article 14.*

The authorised capital of the International Company may be increased. The capital issued may be diminished by reduction of the nominal value of each share. The decision as to such action shall be taken, on the proposal of a two-thirds majority of the Board, by an extraordinary general meeting acting as provided in Article 44.

*Article 15.*

The holders of A shares already issued shall have preferential rights to the subscription of the first issue of B shares.

The holders of A and B shares already issued shall have equal preferential rights to the subscription of new B shares. Those of them who have not a sufficient number of old shares to secure at least one share of the new issue may combine in order to make use of their right.

The Board shall fix the conditions under which and the periods within which such preferential rights shall be exercised.

If the authorised capital of the Company is increased, holders of old shares shall have preferential rights to the subscription of the new shares. The general meeting which decides to increase the capital, acting as provided in Article 44, shall fix the conditions for the exercise of such preferential rights.

*Article 16.*

The Board shall fix all the conditions of the issue of the shares and, in particular, the amount of any premium to be paid over and above the nominal value of each share. The proceeds of any such premium shall be carried to a reserve account.

*Article 17.*

No shares may be issued below par.

*Article 18.*

The title to ownership of the registered shares shall be established and their transfer effected by registration of the shareholder's name in the books of the International Company.

The bearer shares shall be transferred by mere delivery.

The ownership of the International Company's shares implies acceptance of the Statutes of the Company. The provisions of the present paragraph shall be stated on the share certificates.

*Article 19.*

The successors or creditors of a shareholder may not, on any grounds whatsoever, cause the property or securities of the International Company to be placed under seal, or cause any seizure or attachment of the said property or securities, or apply for their partition or sale by auction. They may not intervene in any way in the management of the International Company, and they are bound as regards the exercise of their rights to accept the Company's statements of assets and the decisions of the general meeting.

*Article 20.*

The capital of the International Company may be invested:

(1) As to not more than one-tenth, in the movable property and any immovable property to be used for the establishment of the registered office of the company or required for the working of its services;

(2) As to not more than one-third, by credits opened or loans granted, such credits or loans to be secured by first mortgages and accorded in conformity with the requirements of the present Statutes.

*Article 21.*

In addition to the capital of the International Company, the special reserve contemplated by Article 5 of the Convention shall be created forthwith with the advances accorded by the Governments as security for the commitments of the Company. This reserve shall be formed as follows:

The advances of the Governments, amounting to twenty-five million gold Swiss francs equivalent to 7,258,064.516 grammes of fine gold, shall be credited in the books of the International Company to an account entitled "special reserve fund A formed with the advances of the Governments".

The advances of the Governments shall be repaid to them, in proportion to their respective contributions, in the manner provided in Articles 67 and 69 below.

As and when the repayments contemplated by Article 67 are effected, equal amounts shall be transferred from the above-mentioned account to another account entitled "special reserve fund B formed by the International Company".

*Article 22.*

Sous réserve des dispositions qui suivent, la Société internationale maintiendra à tout moment en dépôt auprès de la Banque des Règlements internationaux ou d'autres banques de premier ordre désignées par le Conseil, une somme équivalant aux avances consenties par les Gouvernements en application de l'article 5 de la Convention et non encore remboursées.

Toutefois, en cas de besoin, tout ou partie de ce dépôt peut être prélevé afin de permettre à la Société internationale de faire face à ses engagements, à condition que ledit dépôt soit reconstitué aussitôt que possible et que jusque là il ne puisse être procédé à aucune répartition de bénéfices en vertu de l'article 67.

Les intérêts produits par ce dépôt sont versés aux Gouvernements proportionnellement au montant respectif de leurs avances non remboursées. La Société internationale n'aura aucun autre intérêt à servir aux Gouvernements sur ces avances, sauf ce qui est dit à l'article 67, alinéa 3<sup>o</sup>.

CHAPITRE III. — ADMINISTRATION.

*Article 23.*

L'administration de la Société internationale appartient au Conseil.

Le Conseil est composé de dix-huit membres au plus, désignés de la façon suivante:

1<sup>o</sup> Le président et le vice-président du Conseil sont nommés par le Conseil de la Société des Nations.

2<sup>o</sup> Deux administrateurs sont nommés, l'un par le Comité permanent de l'Institut international d'Agriculture, l'autre, choisi pour sa compétence spéciale en matière financière, par la Banque des Règlements internationaux. Si ces institutions renoncent à la nomination, elle est faite par le Conseil de la Société des Nations.

3<sup>o</sup> Neuf administrateurs sont nommés dans les conditions suivantes:

La première nomination est faite par le Comité d'organisation prévu à l'article premier de la Convention. Les administrateurs ainsi nommés resteront en fonctions jusqu'à l'Assemblée générale ordinaire de 1934.

Les nominations ultérieures sont faites par l'Assemblée générale par élection à un seul tour de scrutin, le titulaire d'une voix en vertu de l'article 8 ci-dessus ne pouvant porter cette voix que sur un seul nom; les neuf personnes qui obtiennent le plus grand nombre de voix sont proclamées élues; en cas d'égalité des voix, l'élection a lieu au bénéfice de l'âge.

4<sup>o</sup> Cinq administrateurs au plus sont nommés à la majorité de la manière prévue à l'article 31 ci-dessous, par les administrateurs visés aux paragraphes 1<sup>o</sup> à 3<sup>o</sup> qui précèdent, en vue des intérêts généraux de la Société internationale, et, notamment, en vue de favoriser la participation des principaux marchés financiers au placement des obligations.

Le Conseil de la Société des Nations fixe la durée du mandat du président et du vice-président, ainsi que, le cas échéant, des administrateurs qui sont nommés par lui. Il peut les révoquer.

Les administrateurs visés aux paragraphes 3<sup>o</sup> et 4<sup>o</sup> du présent article sont nommés pour trois ans; leur mandat peut être renouvelé. La même règle s'applique aux administrateurs visés au paragraphe 2<sup>o</sup> du présent article au cas où ils ne sont pas nommés par le Conseil de la Société des Nations.

Le Conseil d'administration est valablement constitué et peut entrer en fonctions dès que dix de ses membres, y compris le président et le vice-président, ont été nommés.

*Article 24.*

Lorsqu'aucun ressortissant d'un pays ayant contribué aux avances prévues à l'article 5 de la Convention ne fait partie du Conseil, un ressortissant de ce pays peut être nommé assesseur.

Cet assesseur, non rémunéré, a le droit de prendre part aux réunions du Conseil avec voix consultative.

Il est nommé, dans chaque pays, soit par la ou les Sociétés nationales agréées par le Conseil, soit par la Banque centrale, en l'absence de Société nationale agréée. Il demeure en fonctions jusqu'au renouvellement des administrateurs visés au paragraphe 3 de l'article 23. Son mandat peut être renouvelé.

*Article 25.*

Les administrateurs visés au paragraphe 3<sup>o</sup> de l'article 23 et les assesseurs visés à l'article 24 sont choisis parmi les gouverneurs, vice-gouverneurs, présidents, vice-présidents ou représentants de sociétés ou instituts de crédit foncier, hypothécaire ou agricole, ou parmi les personnalités ayant une compétence spéciale en matière de banque et de crédit.

Dans les pays où il existe des lois organiques de caractère général, des sociétés ou instituts visés ci-dessus, lesdites sociétés ou instituts sont ceux qui sont autorisés ou constitués conformément à l'une de ces lois organiques.

*Article 22.*

Subject to the provisions contained hereinafter, the International Company shall at all times keep on deposit with the Bank for International Settlements, or other banks of the highest standing designated by the Council, a sum equal to the advances which have been made by the Governments under Article 5 of the Convention and have not yet been repaid. Nevertheless, in case of need, all or part of the sum so deposited may be withdrawn for the purpose of enabling the International Company to meet its commitments, on condition always that the amount of the deposit shall as soon as possible be re-established and that, until this is done, no distribution of profits may be made under Article 67.

The interest earned by the said deposit shall be paid to the Governments in proportion to the amounts which they have advanced and which have not been repaid. The International Company shall not be liable to pay any other interest to the Governments on the said advances, except as provided in sub-paragraph 3 of Article 67.

CHAPTER III. — MANAGEMENT.

*Article 23.*

The management of the International Company shall be vested in the Board. The Board shall be composed of not more than eighteen members appointed as follows:

(1) The President and Vice-President appointed by the Council of the League of Nations;

(2) Two directors, of whom one shall be appointed by the Permanent Committee of the International Institute of Agriculture and the other, who shall be selected for his special competence in finance, shall be appointed by the Bank for International Settlements. If these institutions renounce their right of appointment, these appointments shall be made by the Council of the League of Nations.

(3) Nine directors shall be appointed as follows:

The first appointment shall be made by the Organisation Committee provided for in Article 1 of the Convention. The directors so appointed shall remain in office until the ordinary general meeting of 1934.

Subsequent appointments shall be made by the general meeting: only one ballot shall be held; each vote to which a shareholder is entitled under Article 8 above may be given for one candidate only; the nine persons obtaining the greatest number of votes shall be declared elected; in case of equality of votes, the elder candidate shall be deemed to be elected.

(4) Not more than five directors shall be appointed by a majority (in the manner provided in Article 31 below) by the directors referred to in paragraphs 1 to 3 above, with the object of promoting the general interests of the International Company and, in particular, encouraging the participation of the chief financial markets in the placing of the Company's bonds.

The Council of the League of Nations shall fix the period of office of the President and Vice-President and any directors appointed by it. It may dismiss them.

The directors referred to in paragraphs 3 and 4 of the present article shall be appointed for three years; they may be re-appointed. The same rule shall apply to the directors provided for in paragraph 2 of the present article if they are not appointed by the Council of the League of Nations.

The Board of Directors is validly constituted and may enter upon its duties as soon as at least ten of its members, including the President and Vice-President, have been appointed.

*Article 24.*

Where there is not upon the Board any national of a country which has contributed to the advances provided for in Article 5 of the Convention, a national of such country may be appointed as an assessor.

Such assessor shall have the right to take part in the meetings of the Board in an advisory capacity, but without remuneration.

The assessor shall in each country be appointed either by the national company or companies approved by the Board or, where there is no approved national company, by the Central Bank of the country. He shall remain in office until the re-election of the directors mentioned in paragraph 3 of Article 23. He may be re-appointed.

*Article 25.*

The directors mentioned in Article 23, paragraph 3, and the assessors mentioned in Article 24 must be chosen from among governors, vice-governors, presidents, vice-presidents or representatives of land, mortgage or agricultural credit companies or institutions or from among persons having special knowledge and experience of banking and credit.

In countries possessing laws of a general character concerning the organisation of the above-mentioned companies or institutions, the companies or institutions to which the preceding provision refers shall be those which have been authorised or constituted under the provisions of such a law.



*Article 26.*

Lorsque des vacances se produisent dans le Conseil pour toute autre raison que l'échéance du terme des fonctions fixé à l'article 23, il y est pourvu dans les conditions suivantes:

a) Lorsqu'il s'agit d'un membre du Conseil nommé dans les conditions prévues aux paragraphes 1<sup>o</sup>, 2<sup>o</sup> et 4<sup>o</sup> de l'article 23, il est pourvu à la vacance de la même manière qu'à la nomination du membre qu'il s'agit de remplacer.

b) Lorsqu'il s'agit d'un administrateur nommé dans les conditions prévues au paragraphe 3<sup>o</sup> de l'article 23, le Conseil nomme un nouvel administrateur de la même nationalité que l'administrateur qu'il s'agit de remplacer.

Les administrateurs ainsi nommés restent en fonctions jusqu'à l'expiration du mandat de leur prédécesseur; leur mandat peut être renouvelé.

Les vacances qui surviennent dans le Conseil ne font pas obstacle à l'exercice de ses fonctions.

*Article 27.*

Les administrateurs doivent avoir leur résidence habituelle en Europe.

*Article 28.*

Ne peut être nommé ni demeurer président, vice-président ou administrateur aucun membre d'un gouvernement, ni aucun membre d'un corps législatif, qui ne serait pas investi de ces fonctions pour la vie.

*Article 29.*

Les séances du Conseil sont tenues au siège social, sauf décision contraire du Conseil, qui fixe dans ce cas le lieu de la réunion.

*Article 30.*

Tout membre du Conseil qui n'est pas présent en personne à une séance du Conseil peut, par simple lettre, donner à tout autre membre une procuration l'autorisant à voter en son nom à cette séance. Aucun membre du Conseil ne peut représenter plus d'un membre absent.

*Article 31.*

Sauf dispositions contraires des Statuts ou de l'article 3 de la Charte, les décisions du Conseil sont prises à la majorité simple des membres présents ou représentés par procuration. En cas d'égalité des voix, la voix du président est prépondérante.

Pour la validité des décisions du Conseil, la présence de six au moins des membres le composant est nécessaire. Les membres représentés par procuration sont considérés comme présents.

*Article 32.*

Le président, le vice-président et les administrateurs peuvent recevoir, outre leurs frais de déplacement, un jeton de présence et une rémunération (ou bien l'un ou l'autre seulement) dont le montant est fixé par le Conseil, sous réserve de l'approbation de l'Assemblée générale.

*Article 33.*

Le Conseil désigne chaque année cinq ou sept de ses membres, dont le président, pour constituer un Comité exécutif.

La présidence de ce Comité appartient au président, qui a voix prépondérante. Le Président peut suspendre toute décision du Comité exécutif et en référer au Conseil.

Deux ressortissants au plus des pays dont les Sociétés nationales ont été agréées par la Société internationale peuvent faire partie du Comité exécutif quand le comité comporte cinq membres; leur nombre peut être porté à trois, quand le Comité comprend sept membres.

*Article 34.*

Le président du Conseil est président de la Société internationale; il en dirige l'administration, sous réserve de l'autorité du Conseil.

Il ne peut accepter d'autres fonctions qui, de l'avis du Conseil, pourraient le gêner dans l'exercice de celles de président.

Le vice-président remplit les fonctions de président en cas d'absence de celui-ci, ou en cas de vacance de l'emploi. En cas d'empêchement du vice-président, un administrateur nommé par le Conseil remplit les fonctions de président.

*Article 26.*

Vacancies in the Board which occur for any reason other than the termination of the term of office of members as fixed in Article 23 shall be filled as follows:

(a) In the case of a member of the Board appointed under the provisions of paragraphs 1, 2 and 4 of Article 23, the vacancy shall be filled in the same manner as the appointment was originally made;

(b) In the case of a director appointed under the provisions of paragraph 3 of Article 23, the Board shall appoint a new director of the same nationality.

The directors so appointed shall hold office until the end of the terms of office of their predecessors; they may be re-appointed.

Vacancies in the Board shall not prevent the exercise of its duties.

*Article 27.*

Directors must be ordinarily resident in Europe.

*Article 28.*

No person shall be appointed or hold office as President or Vice-President or as a director who is a member of a Government, or a member of a legislative body unless he holds such position for life.

*Article 29.*

Meetings of the Board shall be held at the registered office, unless otherwise decided by the Board, which shall in such case decide the place of meeting.

*Article 30.*

A member of the Board who is not present in person at a meeting of the Board may by letter give a proxy to any other member authorising him to vote at that meeting on his behalf. No member of the Board may hold a proxy for more than one absent member.

*Article 31.*

Unless otherwise provided by the Statutes, or by Article 3 of the Charter, decisions of the Board shall be taken by a simple majority of those present or represented by proxy. In the case of an equality of votes, the President shall have a casting vote.

The presence of not less than six members of the Board is necessary for its decisions to be valid. Members represented by proxy are regarded as present.

*Article 32.*

The President, Vice-President and directors may receive, in addition to their travelling expenses, a fee for attendance at meetings and/or a salary, the amount of which will be fixed by the Board, subject to the approval of the general meeting.

*Article 33.*

The Board shall appoint each year five or seven of its members, among whom the President shall be included, to form an Executive Committee.

The President shall be chairman of the Committee and shall have a casting vote. The Chairman shall have the right to require that any decision of the Executive Committee should be suspended and be referred to the Board.

Not more than two nationals of countries in which national companies have been approved by the International Company may be members of the Executive Committee when it consists of five members; the number may be raised to three when the Committee consists of seven members.

*Article 34.*

The President of the Board shall be President of the International Company and shall direct its management subject to the authority of the Board.

He may not accept other duties which in the judgment of the Board might interfere with his duties as President.

The Vice-President shall perform the duties of the President in the absence of the latter or in the event of the post being vacant. If the Vice-President is unable to act, a director appointed by the Board shall discharge the duties of the President.

*Article 35.*

Le Conseil est investi de tous les pouvoirs nécessaires pour la gestion des affaires sociales et il statue sur toutes les questions qui ne sont pas réservées à l'Assemblée générale.

Le Conseil représente la Société internationale vis-à-vis des tiers et en justice, tant en demande qu'en défense. Il a seul le droit de contracter des engagements en son nom.

Il peut déléguer ses droits au président, au Comité exécutif, à un ou plusieurs des membres du Conseil ou du personnel permanent de la Société internationale, mais à condition de spécifier, par une délibération particulière, les pouvoirs de chacune des personnes à qui il délègue ces droits.

Dans la limite de ces pouvoirs, la Société internationale est valablement engagée envers les tiers, soit par la signature du président, soit par deux signatures de membres du Conseil ou de membres du personnel dûment autorisés par le Conseil à signer en son nom.

*Article 36.*

Le Conseil, sur la proposition du président, nomme un directeur général. Celui-ci est responsable, envers le président, des opérations de la Société internationale; il est le chef du personnel.

Le Conseil établit la division de la Société internationale en services.

Les chefs de service, ainsi que les autres fonctionnaires occupant un rang analogue, sont nommés par le Conseil sur la proposition du président, après avis du directeur général.

Les autres membres du personnel sont nommés par le directeur général avec l'approbation du président.

*Article 37.*

Les délibérations du Conseil sont résumées dans des comptes rendus signés par le président.

Les copies ou les extraits de ces comptes rendus doivent, aux fins de production en justice, être certifiés par le président ou par le directeur général.

Un procès-verbal des décisions prises à chaque réunion doit être envoyé, dans les huit jours qui suivent la réunion, à chacun des membres du Conseil.

Les décisions du Conseil ne peuvent être exécutées que si elles sont approuvées par le président et revêtues de sa signature.

CHAPITRE IV. — ASSEMBLÉE GÉNÉRALE.

*Article 38.*

L'Assemblée générale, régulièrement constituée, représente l'universalité des actionnaires. Elle se compose de tous les actionnaires. Les propriétaires d'actions nominatives doivent être inscrits dans les registres de transfert trois mois avant la réunion. Les propriétaires d'actions au porteur doivent avoir déposé leurs actions cinq jours avant la réunion auprès de banques désignées par le Conseil.

On ne peut se faire représenter à l'Assemblée générale que par un mandataire membre de cette Assemblée.

*Article 39.*

L'Assemblée générale ordinaire doit se réunir au cours des six mois qui suivent la fin de l'exercice social de la Société internationale, à la date fixée par le Conseil.

L'Assemblée générale est convoquée en Assemblée générale extraordinaire, soit par délibération spéciale du Conseil, chaque fois que celui-ci en reconnaît l'utilité, soit à la demande d'actionnaires possédant au moins un tiers des voix.

*Article 40.*

Les convocations sont faites à la diligence du président trente jours au moins avant la date de la réunion par lettres adressées à chaque propriétaire d'actions nominatives à l'adresse figurant au registre de la Société internationale et par voie d'insertion dans les journaux désignés par le président.

L'Assemblée générale ordinaire délibère valablement lorsque les membres présents ou représentés ont droit au moins au quart des voix. L'Assemblée générale extraordinaire délibère valablement lorsque les membres présents ou représentés ont droit au moins à la moitié des voix.

L'ordre du jour est arrêté par le Conseil et porté à la connaissance des actionnaires par la convocation.

Le Conseil est tenu d'ajouter à l'ordre du jour primitif toute question dont l'insertion est requise, vingt jours avant la réunion, par des actionnaires réunissant au moins 20 % des voix. Cette addition à l'ordre du jour est immédiatement portée à la connaissance des actionnaires par les moyens prévus à l'alinéa premier du présent article.

L'Assemblée générale ne peut délibérer sur aucun objet autre que ceux portés à l'ordre du jour, à moins que le Conseil et tous les membres présents à l'Assemblée générale n'y consentent.

L'Assemblée générale détermine elle-même, s'il y a lieu, les autres conditions de son fonctionnement.

*Article 35.*

The Board shall have all the powers necessary for the conduct of the Company's business and shall decide all questions not reserved for the general meeting.

The Board shall represent the International Company in its dealings with third parties and in legal proceedings, whether the Company be plaintiff or defendant. It shall alone have the power to bind the Company.

It may delegate its powers to the President, to the Executive Committee, or to a member or members of the Board or of the permanent staff of the Company, provided that it defines by a special resolution the powers of each person to whom it delegates such rights.

Within the limits of these powers, the International Company shall be legally committed *vis-à-vis* third parties by the signature of the President or by two signatures of members of the Board or of members of the staff who have been duly authorised by the Board to sign on its behalf.

*Article 36.*

A general manager shall be appointed by the Board on the proposal of the President. He shall be responsible to the President for the operations of the International Company and shall be the head of its staff.

The departmental organisation of the Company shall be determined by the Board.

The heads of departments, and any other officers of similar rank, shall be appointed by the Board on recommendations made by the President after consultation with the general manager.

The remainder of the staff shall be appointed by the general manager with the approval of the President.

*Article 37.*

The proceedings of the Board shall be summarised in Minutes, which shall be signed by the President.

Copies of or extracts from these Minutes to be produced in a Court of Justice must be certified by the President or by the general manager of the International Company.

Minutes of the decisions taken at each meeting shall be sent, within eight days of the meeting, to every member of the Board.

The decisions of the Board may not be executed until they have been approved and signed by the President.

CHAPTER IV. — GENERAL MEETINGS.

*Article 38.*

The general meeting regularly constituted represents the whole body of shareholders. It consists of all the shareholders. The holders of registered shares must have been registered in the share transfer registers three months before the meeting. Holders of bearer shares must have deposited their shares ten days before the meeting with a bank designated by the Board.

A member of the general meeting may only be represented at the meeting by another member authorised to act for him.

*Article 39.*

Within six months after the end of each financial year of the International Company, an ordinary general meeting shall be held on such date as the Board may fix.

The general meeting shall be summoned to meet as an extraordinary general meeting, either by a special decision of the Board when it considers such a meeting necessary, or on the application of shareholders possessing not less than one-third of the votes.

*Article 40.*

Notices of meetings shall be sent by direction of the President not less than thirty days before the date of the meeting by letters addressed to each holder of registered shares at the address entered in the International Company's register, and by advertisement in newspapers designated by the President.

The decisions of an ordinary general meeting shall be legally valid when the members present or represented by proxy are entitled to not less than one-quarter of the votes. The decisions of an extraordinary general meeting shall be valid when the members present or represented by proxy are entitled to not less than one-half of the votes.

The agenda shall be drawn up by the Board and communicated to the shareholders in the notice of meeting.

The Board shall be bound to add to the original agenda any question the insertion of which is demanded twenty days before the meeting by shareholders possessing at least 20 per cent of the votes. The addition to the agenda shall at once be brought to the knowledge of the shareholders in the manner provided in the first paragraph of the present article.

The general meeting may not take decisions on any subject not appearing on the agenda, except with the consent of the Board and all the members who are present at the meeting.

The general meeting shall itself make any other rules required for the conduct of its business.

*Article 41.*

Si le *quorum* prévu par l'article 40 n'est pas atteint, l'Assemblée est convoquée à nouveau dans un délai qui n'excède pas huit jours. Elle se réunit dans un délai de quinze jours au moins et de vingt-cinq jours au plus à dater de cette dernière convocation.

Elle délibère valablement sur tous les objets figurant à l'ordre du jour, quel que soit le nombre des voix dont disposent les membres présents ou représentés.

Les Assemblées ordinaires et extraordinaires peuvent avoir lieu dans la même séance. Si l'ordre du jour ne peut pas être épuisé, la séance est prorogée au lendemain et jours suivants jusqu'à ce que l'ordre du jour soit épuisé.

*Article 42.*

Le président du Conseil préside les Assemblées générales.  
La réunion a lieu au siège social de la Société internationale.

*Article 43.*

L'Assemblée générale ordinaire a compétence pour:

1<sup>o</sup> Approuver le rapport annuel, et, sur le rapport des commissaires vérificateurs, le bilan annuel et le compte de profits et pertes;

2<sup>o</sup> Approuver la fixation des rémunérations, jetons de présence ou frais des membres du Conseil et les changements proposés à ces rémunérations, jetons et frais;

3<sup>o</sup> Nommer les administrateurs qui sont à sa désignation;

4<sup>o</sup> Décider les affectations des bénéfices nets et se prononcer sur la déclaration d'un dividende et son montant;

5<sup>o</sup> Décharger les membres du Conseil de toute responsabilité individuelle en ce qui concerne l'exercice social écoulé;

6<sup>o</sup> Enfin, délibérer sur toute question dont elle est saisie dans les conditions prévues à l'article 40.

L'Assemblée générale ordinaire décide à la majorité des suffrages exprimés.

*Article 44.*

L'Assemblée générale extraordinaire doit être réunie pour statuer sur toute proposition du Conseil concernant:

1<sup>o</sup> L'augmentation ou la réduction du capital;

2<sup>o</sup> Toute modification aux Statuts;

3<sup>o</sup> Toutes questions qui, aux termes de la Convention ou de la Charte, doivent être soumises à l'Assemblée générale extraordinaire;

4<sup>o</sup> La liquidation de la Société internationale.

Sur ces questions, l'Assemblée générale extraordinaire décide à la majorité des trois quarts des voix dont disposent les actionnaires présents ou représentés. Sur toute autre question, elle décide à la majorité des suffrages exprimés.

CHAPITRE V. — OBLIGATIONS.

*Article 45.*

La Société internationale peut émettre des obligations jusqu'à concurrence d'une valeur de remboursement qui ne devra en aucun cas dépasser dix fois le total du montant nominal du capital social versé et de la réserve spéciale constituée par les fonds A et B visés à l'article 21.

*Article 46.*

La valeur de remboursement des obligations émises par la Société internationale ne peut dépasser le montant total de la valeur de remboursement des obligations remises par les Sociétés nationales à la Société internationale en représentation des prêts qu'elle leur aura consentis.

*Article 47.*

Les obligations émises par la Société internationale sont nominatives ou au porteur.

Les obligations nominatives sont transmissibles par voie d'inscription dans un registre de transfert tenu par la Société internationale.

Les obligations au porteur se transmettent par simple tradition.

*Article 41.*

If the quorum prescribed by Article 40 is not attained, the meeting shall be re-convened within a period not exceeding eight days, and shall meet again not earlier than fifteen nor later than twenty-five days after the date of the second notice of meeting.

It shall be entitled to take decisions on all the subjects appearing on the agenda, whatever be the number of votes possessed by the members who are present or represented by proxies.

Ordinary and extraordinary meetings may take place on the same occasion. If it is not possible to deal with the whole of the agenda, the meeting shall adjourn till the following day or days until the agenda has been disposed of.

*Article 42.*

The chair shall be taken at general meetings by the President of the Board.  
The meeting shall take place at the registered office of the International Company.

*Article 43.*

The ordinary general meeting shall be competent:

1. To approve the annual report, the annual balance-sheet after consideration of the report of the auditors, and the profit and loss account;
2. To approve the amounts fixed for salaries, fees for attendance or expenses of members of the Board and any changes proposed in such salaries, fees for attendance or expenses;
3. To appoint the directors whose appointment rests with it;
4. To decide as to the application of the net profits and as to the declaration of a dividend and its amount;
5. To discharge the members of the Board from all personal responsibility in respect of the past financial year;
6. To decide any question brought before it in accordance with Article 40.

The ordinary general meeting shall take its decisions by a majority of the votes cast.

*Article 44.*

Extraordinary general meetings must be summoned to decide upon any proposals of the Board regarding:

1. Increase or reduction of the capital of the International Company;
2. Any amendment of the Statutes of the Company;
3. Any questions which by the terms of the Convention or the Charter must be submitted to an extraordinary general meeting;
4. The winding-up of the International Company.

Decisions on the above-mentioned questions shall be taken by a three-quarters majority of the votes to which the shareholders present or represented are entitled. On all other questions, the decisions of extraordinary general meetings shall be taken by a majority of the votes cast.

CHAPTER V. — BONDS.

*Article 45.*

The International Company may issue bonds up to a total amount not exceeding ten times the total nominal amount of the paid-up capital and the special reserve constituted by the A and B funds provided for in Article 21.

*Article 46.*

The sums repayable on the bonds issued by the International Company may not exceed the total amount of the sums repayable on the bonds delivered by the national companies to the International Company in respect of the loans made to them by it.

*Article 47.*

The bonds issued by the International Company may be registered or bearer bonds.  
The registered bonds shall be transferable by registration in a register of transfer kept by the International Company.  
The bearer bonds shall be transferred by simple delivery.



*Article 48.*

Les obligations émises par la Société internationale sont appelées au remboursement par voie soit de rachat, soit de tirage au sort, dans un délai maximum que le Conseil détermine.

Chaque remboursement comprend le nombre d'obligations nécessaire pour opérer un amortissement tel que la valeur de remboursement des obligations restant en circulation n'excède jamais la valeur de remboursement des obligations remises par les Sociétés nationales, comme il est dit à l'article 46.

Le tirage des obligations qui doivent être appelées au remboursement par la voie du sort est effectué en présence du président ou du vice-président et de deux membres du Conseil.

Les numéros d'obligations sortis au tirage sont affichés au siège de la Société internationale et insérés dans les journaux choisis par le Conseil.

Les obligations désignées par le sort sont remboursées à partir du jour indiqué par ces publications.

A compter de ce jour, les obligations remboursables cessent de plein droit de porter intérêt.

Les obligations remboursées et les coupons payés sont immédiatement frappés d'un timbre d'annulation.

*Article 49.*

Les obligations portent un intérêt dont le taux, les époques et le mode de paiement sont fixés par le Conseil.

Sous réserve de l'exécution des formalités prescrites par la loi du pays d'émission, il peut être attribué aux obligations des primes payables au moment du remboursement. Le Conseil en fixe l'importance et les modalités de paiement.

*Article 50.*

Les intérêts et le capital des obligations émises par la Société internationale sont garantis par un privilège exclusif sur les intérêts et le capital des obligations émises par les Sociétés nationales, conformément aux dispositions des articles 57 et 58 ci-après, et remises à la Société internationale en représentation des prêts qu'elle a consentis à ces Sociétés.

Les intérêts et le capital des obligations remises à la Société internationale par chaque Société nationale doivent à leur tour être garantis :

a) Soit par un privilège de premier rang sur des créances déterminées garanties par des hypothèques de premier rang constituées au profit de ladite Société nationale,

b) Soit, concurremment avec l'ensemble des obligations hypothécaires de la Société nationale, par un privilège sur l'ensemble des créances hypothécaires constituées au profit de cette Société et formant la contre-partie desdites obligations hypothécaires.

*Article 51.*

Jusqu'à leur emploi définitif, les fonds provenant de l'émission des obligations de la Société internationale restent en dépôt auprès de banques de premier ordre désignées par le Conseil, ou font provisoirement l'objet d'un investissement en valeurs à court terme offrant toute sécurité. Il est tenu compte de ces placements temporaires pour l'application de la règle d'équilibre établie par l'article 46 ci-dessus.

*Article 52.*

Le délai de prescription des dividendes et intérêts est de cinq années; il est de trente années pour les capitaux. Les sommes ainsi prescrites sont acquises à la Société internationale.

*Article 53.*

La loi du siège de la Société internationale est applicable à la procédure relative à la rentrée en possession par leur propriétaire des titres perdus ou volés et à l'encaissement des dividendes et intérêts afférents à ces titres.

CHAPITRE VI. — CONDITIONS DES PRÊTS.

*Article 54.*

La Société internationale fait aux Sociétés nationales agréées par le Conseil des prêts remboursables, au moyen d'un amortissement annuel, dans un délai de trente ans au plus.

Les Sociétés nationales doivent prendre l'engagement formel d'employer les fonds qui leur seront prêtés exclusivement en prêts garantis par des hypothèques de premier rang sur des immeubles, bâtis ou non, situés dans le pays où elles ont leur siège et faisant partie d'une exploitation rurale ou servant à une exploitation de cette nature. Ces prêts, qui ne pourront pas excéder 50 % de la valeur estimative des immeubles offerts en gage, doivent être réalisés en conformité des statuts desdites Sociétés, préalablement acceptés par le Conseil.

*Article 48.*

The bonds shall be redeemed, either by purchase or by drawings, within maximum periods to be fixed by the Board.

Each redemption shall cover the number of bonds necessary to effect amortisation on the scale required to ensure that the sums repayable on the bonds remaining in circulation never exceed the sums repayable on the bonds delivered by the national companies as stated in Article 46.

The drawing of bonds for redemption shall be effected in the presence of the President or Vice-President and two members of the Board.

The numbers of the bonds drawn shall be posted up at the registered office of the International Company and published in newspapers selected by the Board.

The bonds drawn shall be redeemed on or after the day specified in these notices.

Interest on the bonds to be redeemed shall cease automatically as from the said day.

Bonds redeemed and coupons paid shall forthwith be stamped with a cancellation stamp.

*Article 49.*

The bonds shall carry interest, the rate, due dates and methods of payment of which shall be fixed by the Board.

Subject to compliance with the formalities prescribed by the law of the country in which they are issued, premiums payable at the time of redemption may be attached to the bonds. The Board shall determine the amount and method of payment of such premiums.

*Article 50.*

The interest and capital of the bonds issued by the International Company shall be guaranteed by a sole charge on the interest and capital of the bonds which are issued by the national companies in conformity with the provisions of Articles 57 and 58 below and delivered to the International Company in respect of the loans it has granted to those companies.

The interest and capital of the bonds delivered to the International Company by the national companies must in turn be secured:

- (a) By a first charge upon specified mortgages belonging to the national company; or
- (b) By a charge, ranking *pari passu* with all the mortgage bonds of the national company, upon all the mortgages acquired by the company and forming the counterpart to the said mortgage bonds.

*Article 51.*

Pending their final employment, the sums derived from the issue of bonds of the International Company shall remain on deposit with banks of the highest standing, designated by the Board, or shall be temporarily invested in short-term securities of the highest character. Such temporary investments shall be taken into account in applying the rule of equilibrium laid down in Article 46 above.

*Article 52.*

The period of limitation for the recovery of dividends and interest shall be five years and for capital payments thirty years. The sums the recovery of which is thus barred shall belong to the International Company.

*Article 53.*

The law of the country in which the International Company has its registered office shall apply to the recovery by their owners of lost or stolen securities and to the receipt of dividends and interest due on such securities.

CHAPTER VI. — TERMS OF LOANS.

*Article 54.*

The International Company will accord the national companies approved by the Board loans repayable by annual amortisation within not more than thirty years.

The national companies must formally undertake to use the sums lent them exclusively for loans secured by first mortgages on real property, whether built on or not, situated in the country in which the national company has its registered office and forming part of an agricultural undertaking or used for the purposes of such an undertaking. Such loans, which may not exceed 50 per cent of the estimated value of the property offered as security, must be given in conformity with the requirements of the Statutes of the national companies which shall first be approved by the Board of the International Company.

*Article 55.*

Le Conseil arrête les conditions auxquelles les Sociétés nationales peuvent être agréées aux termes de l'article précédent; il peut toujours retirer cet agrément.

*Article 56.*

Le Conseil nommé des représentants chargés de l'examen des opérations des Sociétés nationales et celles-ci doivent prendre l'engagement de faciliter à ces représentants l'exercice de leur mission.

*Article 57.*

Le Conseil fixe toutes les conditions des prêts faits par la Société internationale aux Sociétés nationales, y compris le taux de l'intérêt, le montant annuel et la durée de l'amortissement.

Les emprunts contractés auprès de la Société internationale par les Sociétés nationales sont représentés par des obligations que ces dernières créent dans la forme et suivant le taux d'intérêt et les modalités arrêtés d'accord avec la Société internationale.

La Société internationale peut exiger que les Gouvernements des pays dont les Sociétés nationales désirent obtenir des prêts par son entremise prennent certaines mesures législatives destinées à rendre plus efficaces les garanties hypothécaires servant de gage aux prêts consentis. La Société internationale peut également exiger, comme condition d'un prêt à une Société nationale, — lorsqu'elle juge, pour une raison quelconque, que les créanciers hypothécaires n'ont pas de garanties suffisantes dans le pays où cette Société nationale exerce son activité, — que le Gouvernement de ce pays garantisse le service des obligations qu'elle remettra à la Société internationale en reconnaissance du prêt.

La Société internationale peut aussi exiger à son gré, comme condition d'un prêt, que le Gouvernement du pays où la Société nationale qui demande le prêt exerce son activité accepte tout ou partie des dispositions des articles 7 et 8 de la Convention, ou s'engage à ne pas majorer le tarif ni rendre plus onéreuses les conditions de perception existantes des impôts visés à l'article 8 de la Convention et à ne pas créer de nouveaux impôts de ce genre.

La Société internationale a toujours le droit de rejeter une demande de prêt.

Le Conseil peut exiger des Sociétés nationales emprunteuses qu'elles créent, dans leur organisation, un département spécial pour les affaires faites en relation avec la Société internationale, et que ce département soit pourvu d'un capital particulier soustrait à l'action de tous autres créanciers de la Société nationale ou qu'il soit constitué en une Société distincte qui sera substituée à la Société nationale pour tous les effets des présents Statuts.

*Article 58.*

L'amortissement annuel des obligations remises par les Sociétés nationales en contre-partie des emprunts contractés par elles auprès de la Société internationale est prévu dans un tableau dressé en tenant compte des engagements de la Société internationale. Ce tableau d'amortissement est accepté par le Conseil.

La Société nationale débitrice ne peut, sous aucun prétexte, réduire l'amortissement prévu par ce tableau; mais elle doit, dans l'hypothèse prévue à l'article 50, paragraphe 2a, l'intensifier en cas de remboursement anticipé des prêts qu'elle aura consentis, afin de conserver l'équilibre entre les obligations qu'elle a remises à la Société internationale et les créances hypothécaires qui en constituent la garantie.

La Société internationale a le droit de demander, lorsqu'elle est remboursée par anticipation, une indemnité qui ne peut dépasser une somme égale à un semestre d'intérêt calculé sur le montant de ces remboursements. La Société internationale peut accepter les remboursements anticipés en ses propres obligations.

Les fonds provenant des remboursements anticipés sont employés soit à amortir, soit à racheter des obligations de la Société internationale, soit à réaliser de nouveaux prêts. Les obligations de la Société internationale remises par les Sociétés nationales à titre de remboursement anticipé sont immédiatement frappées d'un timbre d'annulation. Le remboursement ainsi effectué pourra être assimilé aux modes de remboursement prévus à l'alinéa premier de l'article 48.

Si la Société internationale a dû prendre, envers des souscripteurs de ses obligations, l'engagement de ne pas rembourser ou convertir avant un délai déterminé, elle doit exiger un engagement semblable et d'une durée au moins égale des Sociétés nationales qui devront elles-mêmes imposer à leurs emprunteurs les mêmes engagements.

*Article 59.*

Les obligations remises par les Sociétés nationales en représentation des prêts qui leur sont consentis doivent être libellées en une monnaie ayant une parité avec l'or légalement exprimée; les intérêts doivent être payés et le montant du capital remboursé dans la même monnaie représentant le même poids d'or.

Il en est de même pour les créances hypothécaires que les Sociétés nationales se constituent au moyen des prêts à elles consentis par la Société internationale.

*Article 55.*

The Board will determine the conditions on which the national companies are eligible for approval under the preceding article; it may at any time withdraw such approval.

*Article 56.*

The Board will appoint representatives to examine and supervise the operations of the national companies; the companies must undertake to facilitate the exercise of their duties by these representatives.

*Article 57.*

The Board shall fix all the terms of the loans by the International Company to the national companies, including the rate of interest and the annual amount and the duration of the amortisation.

The loans obtained by the national companies from the International Company shall be represented by bonds issued by them in a form, bearing a rate of interest and complying with the conditions agreed upon with the International Company.

The International Company may require that the Governments of countries whose national companies desire to obtain loans through the Company take particular legislative measures for the purpose of rendering more effective the mortgage security enjoyed by the loans which are granted. The International Company may also require as a condition for a loan to a national company—when for any reason it considers that sufficient security is not enjoyed by mortgagees in the country where the national company operates—that the Government of that country shall guarantee the service of the bonds which the national company gives to the International Company in respect of the loan.

The International Company may also in its discretion require as a condition of a loan that the Government of the country in which the national company requesting the loan operates shall accept all or part of the provisions of Article 7 and Article 8 of the Convention, or shall undertake not to increase the rates or render more onerous the existing conditions of collection of the taxes referred to in Article 8, and not to impose new taxation of that nature.

The International Company shall always have the right to refuse a request for a loan.

The Board may require national companies which obtain loans from it to create in their organisation a special department for business transacted with the International Company, and may require that this department shall be provided with capital of its own not subject to the claims of other creditors of the national company or be established as a separate company which shall be substituted for the national company for all purposes of the present Statutes.

*Article 58.*

The annual amortisation of the bonds delivered by the national companies in return for the loans obtained by them from the International Company shall be governed by an amortisation table drawn up with due regard to the commitments of the International Company. The table must be approved by the Board.

A national company which has obtained a loan may not on any pretext reduce the amortisation payments for which the table provides; but, where paragraph 2(a) of Article 50 has been applied, it must increase such payments in the event of its own loans being repaid before maturity so as to maintain equilibrium between the bonds which it has delivered to the International Company and the mortgage debts which are the security for those bonds.

In the event of repayment before maturity, the International Company shall be entitled to demand compensation not exceeding a half-year's interest on the amount of the repayments. The International Company may allow the repayments made before maturity to be effected by the delivery of its own bonds.

Sums derived from repayments made before maturity shall be employed for redeeming or buying back the International Company's bonds or for new loans. Bonds of the International Company delivered by the national companies to effect repayments before maturity shall be immediately stamped with a cancellation stamp. A repayment so effected may be treated as equivalent to the methods of redemption of bonds provided for in the first paragraph of Article 48.

If the International Company has had to give subscribers of its bonds an undertaking not to redeem or convert them before the expiration of a fixed period, it must require the national companies to give a similar undertaking over at least an equal period, and the latter must secure the same undertaking from those to whom they grant loans.

*Article 59.*

The bonds delivered by the national companies in respect of the loans granted to them must be expressed in a currency having a parity with gold fixed by law; the interest must be paid, and the capital repaid, in the same currency representing the same weight of gold.

The same rule shall apply to the mortgage debts acquired by the national companies by lending the sums borrowed by them from the International Company.

*Article 60.*

La marge maximum entre le taux d'intérêt auquel une Société nationale emprunte à la Société internationale et le taux d'intérêt auquel cette Société nationale prête à son tour les fonds ainsi obtenus sera fixée d'accord entre cette Société nationale et la Société internationale avec la préoccupation de fournir des crédits aux agriculteurs au meilleur taux possible, conformément à l'objet propre de la Société internationale.

*Article 61.*

Les sommes dues par les Sociétés nationales au titre, soit des intérêts ou amortissements non payés à l'échéance, soit des frais de poursuite exposés par la Société internationale pour arriver au recouvrement de ce qui lui est dû, portent, à partir du jour où elles sont devenues exigibles, intérêt de plein droit et sans mise en demeure à un taux supérieur de 1 % au taux d'intérêt du prêt.

A défaut de paiement des intérêts ou de remboursement des obligations par la Société nationale dans les huit jours qui suivent l'échéance, le Conseil a le droit de déclarer nul le tableau d'amortissement et d'exiger le remboursement immédiat de la totalité des obligations restant dues.

*Article 62.*

La Société internationale peut faire aux Sociétés nationales des prêts remboursables à moyen terme avec ou sans amortissement. Les règles contenues dans le chapitre VI s'appliquent à ces prêts dans la mesure où elles sont compatibles avec le caractère desdits prêts.

*Article 63.*

Dans le cas où la Société internationale serait obligée de se rendre adjudicataire d'immeubles pour assurer le recouvrement de ses créances, elle devra revendre ces immeubles aussitôt que possible.

CHAPITRE VII. — COMPTES ET BÉNÉFICES.

*Article 64.*

L'exercice social de la Société internationale commence le 1<sup>er</sup> janvier et se termine le 31 décembre. Toutefois, en ce qui concerne le premier exercice, le Conseil en fixera la durée.

*Article 65.*

La Société internationale publie un rapport annuel.

Le Conseil prend les mesures nécessaires pour qu'un compte de profits et pertes et un bilan de la Société internationale se rapportant à chaque exercice social soient établis en temps voulu pour être soumis à l'Assemblée générale ordinaire.

*Article 66.*

Les comptes et le bilan doivent être vérifiés par des commissaires vérificateurs qui sont nommés par le Comité financier de la Société des Nations ou par tout autre organe désigné par le Conseil de la Société des Nations. Ces commissaires vérificateurs ont pleins pouvoirs pour examiner tous les livres et comptes de la Société internationale et pour demander des renseignements complets sur toutes ses opérations.

Les commissaires vérificateurs doivent soumettre un rapport au Conseil et à l'Assemblée générale, et indiquer dans ce rapport, entre autres choses :

a) S'ils ont obtenu ou non toutes les informations et toutes les explications qu'ils ont demandées;

b) Si, à leur avis, le bilan analysé dans le rapport est établi de manière à donner une vue exacte et correcte de l'état des affaires de la Société internationale, tel que celui-ci ressort de l'examen des livres de la Société internationale, et pour autant qu'ils puissent en juger d'après les renseignements dont ils disposent et les explications qui leur ont été données. Ils signalent les infractions aux Statuts et règlements qu'ils auraient constatées.

Après approbation par l'Assemblée générale, le rapport annuel du Conseil et le rapport des commissaires vérificateurs sont transmis au Conseil de la Société des Nations.

*Article 67.*

Les bénéfices nets annuels ressortant de la comptabilité de la Société internationale, après telles affectations aux provisions et amortissements qui auront pu être décidées par le Conseil,

*Article 60.*

The maximum margin between the rate of interest at which a national company borrows from the International Company and the rate of interest at which the national company in its turn lends out the sums thus received shall be determined by agreement between the national company and the International Company; every effort shall be made to make loans to the agriculturists at the lowest rates consistent with the essential object of the International Company.

*Article 61.*

Sums due by national companies in respect either of interest or amortisation not met at the due date or of costs for legal proceedings incurred by the International Company in recovery of the amounts due to it, shall, automatically and without special notice, carry interest from the day on which they became due at 1 per cent more than the rate of interest payable on the loan.

In the event of failure by a national company to pay interest on or repay its bonds within eight days of the due date, the Board shall have the right to declare null and void the amortisation table and to require the immediate repayment of the whole of the bonds still in circulation.

*Article 62.*

The International Company may make to the national companies medium-term loans with or without amortisation. The rules contained in Chapter VI shall apply to these loans in so far as they are compatible with their nature.

*Article 63.*

Should the International Company be forced to become the owner of immovable property to obtain the recovery of debts due to it, it shall re-sell such property as soon as possible.

CHAPTER VII. — ACCOUNTS AND PROFITS.

*Article 64.*

The financial year of the International Company shall begin on January 1st and end on December 31st. The length of the first financial period shall, however, be fixed by the Board.

*Article 65.*

The International Company shall publish an annual report.

The Board shall have prepared a profit and loss account and balance-sheet of the International Company for each financial year in time for submission to the ordinary general meeting.

*Article 66.*

The accounts and balance-sheet shall be audited by auditors to be appointed by the Financial Committee of the League of Nations or such other body as may be appointed by the Council of the League of Nations. The auditors shall have full power to examine all books and accounts of the International Company and to require full information as to all its transactions.

The auditors shall report to the Board and to the general meeting and shall state in their report:

(a) Whether or not they have obtained all the information and explanations for which they have asked;

(b) Whether, in their opinion, the balance-sheet dealt with in the report is properly drawn up so as to exhibit a true and correct view of the state of the International Company's affairs according to the best of their information and the explanations given to them, and as shown by the Company's books.

They shall call attention to any infringement of the Statutes or regulations which they have found.

After approval by the general meeting, the annual report of the Board and the auditors' report shall be transmitted to the Council of the League of Nations.

*Article 67.*

The annual net profits shown by the accounts of the International Company, after making such appropriations as have been decided by the Board for special purposes and amortisation



et après reconstitution, s'il y a lieu, du fonds de réserve spéciale B, de manière que le total des fonds de réserve spéciale A et B ne soit pas inférieur à vingt-cinq millions de francs suisses or, équivalant à 7.258.064,516 grammes d'or fin, sont répartis de la manière suivante, sous réserve des dispositions de l'article 22:

1<sup>o</sup> 5% de ces bénéfices nets sont portés à un fonds de réserve appelé « Fonds de réserve légale », jusqu'à ce que ce fonds atteigne un montant égal en valeur à 10% du capital social émis.

2<sup>o</sup> Les bénéfices nets sont appliqués ensuite au paiement d'un dividende jusqu'à concurrence de 6% par an sur le capital versé de la Société internationale; ce dividende sera cumulatif en ce sens que l'actionnaire aura droit au paiement des arriérés de dividendes avant toute autre distribution de bénéfices.

3<sup>o</sup> Sur le surplus, 75% sont attribués aux Gouvernements, savoir 70% en remboursement des avances consenties en application de l'article 5 de la Convention et 5% à titre de bonification sur lesdites avances. Après le remboursement total des avances des Gouvernements, ces 75% sont portés soit au Fonds de réserve spéciale B, soit à d'autres réserves facultatives proposées par le Conseil et approuvées par l'Assemblée générale. Le solde de 25% est soit employé à distribuer aux actionnaires un dividende supplémentaire non cumulatif, soit affecté aux réserves, soit reporté à nouveau. Le dividende supplémentaire non cumulatif ainsi distribué est limité à 4%, tant que le remboursement des avances des gouvernements n'a pas été intégralement effectué, et ensuite à 6% au maximum.

Le Conseil peut décider que la portion des bénéfices destinée à la répartition d'un dividende supplémentaire éventuel et non cumulatif sera retenue pendant toute l'année et portée au crédit d'un fonds spécial de réserve de dividendes destiné à assurer la distribution du dividende cumulatif de 6% prévu au paragraphe 2 ci-dessus ou à être réparti ultérieurement entre les actionnaires toujours à titre de dividende.

#### CHAPITRE VIII. — LIQUIDATION.

##### *Article 68.*

La Société internationale peut être liquidée en vertu d'une décision prise par l'Assemblée générale, sur la proposition du Conseil, dans les conditions prévues à l'article 44.

Au cas où la Convention serait abrogée en application de son article 19, le Conseil convoquera l'Assemblée générale extraordinaire pour décider si la Société doit être mise en liquidation ou si elle doit continuer son activité sous une autre forme.

L'Assemblée générale fait choix des liquidateurs et détermine leurs pouvoirs.

##### *Article 69.*

Lors de la liquidation, volontaire ou autre, de la Société internationale, après le règlement des obligations émises, des autres dettes, et, en dernier lieu, le remboursement du solde des avances consenties par les Gouvernements en application de l'article 5 de la Convention, l'actif restant est réparti entre les actionnaires.

#### CHAPITRE IX. — MODIFICATION DES STATUTS.

##### *Article 70.*

Des modifications à tous les articles des Statuts, à l'exception des articles énumérés à l'article 71, peuvent être proposées à l'Assemblée générale extraordinaire par le Conseil statuant à la majorité des deux tiers. Si ces modifications sont adoptées par l'Assemblée générale dans les conditions prévues à l'article 44, elles entrent en vigueur, pourvu qu'elles ne soient pas incompatibles avec les dispositions des articles énumérés à l'article 71.

##### *Article 71.*

Les articles 2, 3, 4, 7 (premier alinéa), 21, 22, 23 (N<sup>os</sup> 1<sup>o</sup>, 2<sup>o</sup> et 3<sup>o</sup> seulement), 24, 37 (dernier alinéa), 44, 59, 66 (premier alinéa), 67, 69, 70, ainsi que le présent article, ne peuvent être modifiés que dans les conditions prévues au paragraphe 3 de la Charte de la Société internationale.

and, if necessary, after re-establishing the special reserve fund B so as to prevent the sum total of the special reserve funds A and B from being inferior to twenty-five million gold Swiss francs equivalent to 7,258,064.516 grammes of fine gold, shall be distributed as follows, subject always to the provisions of Article 22:

1. Five per cent of such net profits shall be paid to a reserve fund called "the legal reserve fund" until that fund reaches an amount equal in value to 10 per cent of the capital issued.

2. Thereafter, such net profits shall be applied to the payment of a dividend of 6 per cent per annum on the amount of the paid-up capital of the International Company; this dividend shall be cumulative in the sense that the shareholder shall be entitled to payment of arrears of dividend before any other distribution of profits.

3. From the residue, 75 per cent shall be allocated to the Governments—that is to say, 70 per cent shall be applied to repayment of the advances made under Article 5 of the Convention and 5 per cent be paid as a bonus in respect of those advances. After the advances of the Governments have been completely repaid, the said 75 per cent of the profits shall be carried to the special reserve fund B or to optional reserves proposed by the Board and approved by the general meeting. The balance of 25 per cent shall either be used for distribution to the shareholders of a supplementary non-cumulative dividend or paid into the reserves or carried forward. The supplementary non-cumulative dividend which may thus be distributed shall be limited to 4 per cent until the advances of the Governments have been entirely repaid, and thereafter to 6 per cent.

The Board may decide that the portion of the profits available for a non-cumulative supplementary dividend shall be held over during the whole year and carried to a special dividend reserve fund for the purpose of assuring payment of the 6 per cent cumulative dividend provided for in paragraph 2 above or for subsequent distribution as dividend among the shareholders.

#### CHAPTER VIII. — WINDING UP.

##### *Article 68.*

The International Company may be wound up in virtue of a decision taken, on the proposal of the Board, by the general meeting acting as provided in Article 44.

In the event of the Convention's being abrogated under the provisions of Article 19 thereof, the Board shall convene an extraordinary general meeting to decide whether the Company shall be wound up or shall continue to operate in some other form.

The general meeting shall appoint the liquidators and determine their powers.

##### *Article 69.*

On the winding up of the International Company, whether voluntary or not, after discharge of the bonds issued and other debts, and repayment of the balance of the advances made by the Governments under Article 5 of the Convention, which shall rank last, the remaining assets shall be distributed among the shareholders.

#### CHAPTER IX. — AMENDMENT OF THE STATUTES.

##### *Article 70.*

Amendment of any articles of these Statutes other than those enumerated in Article 71 may be proposed by a two-thirds majority of the Board to an extraordinary general meeting. If adopted by the general meeting in accordance with the provisions of Article 44, they shall come into force, provided that they are not inconsistent with the provisions of the articles enumerated in Article 71.

##### *Article 71.*

Articles 2, 3, 4, 7 (first paragraph), 21, 22, 23 (sub-paragraphs numbered 1, 2 and 3), 24, 37 (last paragraph), 44, 59, 66 (first paragraph), 67, 69, 70 and the present article shall not be amended except subject to the conditions laid down in paragraph 3 of the Charter of the International Company.

## AGRICULTURAL CREDIT.

### REPORT OF THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION.

1. The Commission of Enquiry for European Union has examined the scheme for the creation of an International Agricultural Mortgage Credit Company, as set out in the texts prepared by the Financial Committee (document C.199 and C.199(a).1931) and in the final report of its own Sub-Committee (document C.324.1931).

The Commission desires to express its high appreciation of the work accomplished by the Financial Committee and by all those who have co-operated with it.

2. The Commission discussed the question of the seat of the proposed company. It has unanimously come to the conclusion that the seat should be at Geneva. The representative of Switzerland has declared in the Commission that the Government of the Swiss Confederation is in principle prepared to grant to the company the constituent charter which forms an annex to the draft Convention. The Commission has taken note of this declaration.

3. The Commission desires to recommend most warmly the whole scheme as contained in the texts elaborated by the Financial Committee with the modifications proposed by the Sub-Committee of the Commission (document C.324, Annex), account being taken of the decision just mentioned.

It submits the scheme thus amended for approval by the Council, as provided in the Preamble of the draft Convention, and expresses the hope that, after such approval, the Convention will be signed by European Governments, if possible at an early meeting of the European Commission, it being understood that the Convention should remain open for signature until September 30th, 1931.

4. In approving the scheme, the Commission desires to emphasise that the scheme is designed in the first place "to alleviate the burdens which weigh on agricultural production in various countries, to diminish the working expenses which at present absorb too large a share of the profits, and to increase the purchasing capacity of the agriculturists". As a result of the increase in the purchasing power of agriculturists, the scheme will at the same time prove beneficial to the industrial countries whose prosperity is largely dependent on the markets constituted by the agricultural countries. The Commission desires, moreover, to recall that the new company should — as was clearly indicated by the Financial Committee and by the Sub-Committee appointed by the Commission of Enquiry for European Union — in its work be very careful to avoid exposing itself to criticism on the ground that it has encouraged an injudicious increase of agricultural production.

5. In order that the scheme may be launched without delay, the Commission recommends that the Council appoint at this session the Organisation Committee provided for in Article 1 of the draft Convention. It asks the Council to take all necessary steps, so that this Committee may be set up and start working at as early a date as possible.

6. Finally — having regard to the importance from the lenders' point of view of the existence in the borrowing countries of mortgage legislation which would afford them the necessary guarantees — the Commission recommends to the special attention of all Governments which propose to modify on this subject the system existing in their territories, the Financial Committee's note enumerating the fundamental principles to which the mortgage legislation should conform in order to give full security to the lenders.

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## ANNEX 19.

### RESOLUTIONS ON ECONOMIC QUESTIONS.

The Commission of Enquiry for European Union,

Being desirous of studying all methods likely to remedy the crisis which is now weighing upon European countries, and of which the prolongation would cause an ever-growing distress and misery.

Being convinced that the solution of this problem must be sought in ever more intimate economic co-operation between the States of Europe and the whole world.

Adopts the following resolutions :

#### I. ECONOMIC CO-ORDINATION SUB-COMMITTEE.

The Commission of Enquiry decides to appoint an Economic Co-ordination Sub-Committee.

All the States which take part in the work of the Commission of Enquiry will be represented on this Sub-Committee.

The Sub-Committee will meet at Geneva on July 6th, 1931. This date will enable it to make its report to the Commission of Enquiry in good time and to communicate it before the Assembly to those Members of the League which are not represented on the Commission of Enquiry.

The Sub-Committee will endeavour to co-ordinate and where necessary to amplify the conclusions that will be submitted to it after the special meetings referred to below, but its competence will not necessarily be limited to the questions dealt with at those meetings. On the contrary, the economic sphere with which it will deal is to be conceived on the widest lines.

It will therefore be free to make to the Commission of Enquiry any proposals on economic questions that it may think fit.

#### 2. AGRICULTURAL PROBLEMS.

(a) Having noted the recommendation passed by the "Committee to Study the Problem of the Export of Future Harvest Surpluses of Cereals", which met in Paris on February 26th-28th last, the Commission of Enquiry again convenes that Committee for June 10th, 1931, in Geneva, with a view to considering the proposals made by various delegations concerning agricultural problems, with due reference to the results of the Rome and London Conferences.

This Committee will be enlarged by the addition of the delegates of Hungary, Poland, Roumania, Turkey and the Union of Soviet Socialist Republics. It may, if it thinks fit, get into touch with the oversea wheat-exporting countries which took part in the Rome and London Conferences.

The question of agricultural preference is specially mentioned under Item 7 of this report.

(b) The Commission has considered with interest the communication from the International Institute of Agriculture regarding the establishment of an international organisation for short-term agricultural credit, in which matter the preparatory work is already well advanced.

The Commission desires to be kept informed of the progress of future work on this question.

It is of opinion that that work would be facilitated by the co-operation of the financial and economic organisations of the League.

#### 3. PROBLEMS OF PRODUCTION AND TRADE.

The Commission of Enquiry recommends that tariff negotiations should be pursued and that consideration should be given to the desirability of extending and developing international economic agreements.

In particular :

(a) It requests the Council to convene a meeting, when it thinks fit and after consulting the Economic Committee or its Bureau and the President of the Conference with a view to Concerted Economic Action, to take steps for the application of the principles formulated in the Commercial Convention of March 24th, 1930; and at the same time it recommends the European States to conform as far as possible henceforward to the principles laid down in that Convention.

(b) It invites the States to continue and to endeavour to bring to a successful conclusion as rapidly as possible the commercial negotiations entered into by agreement between various Governments and the British Government on the latter's initiative.

(c) The Commission of Enquiry decides to convene at Geneva, on June 24th next, a Committee of highly qualified experts on economic subjects generally, who, working in contact with their Governments and availing themselves of the work of the economic organisations of the League and of the International Labour Office, will examine, in complete freedom and in a spirit of liberal understanding, all means which may seem calculated to bring about closer and more profitable co-operation between the different countries with a view to improving the organisation of production and trade in the general interest.

These experts will be ten in number, one being appointed by each of the following Governments: Belgian, British, Czechoslovak, French, German, Italian, Netherlands, Polish, Swedish and Union of Soviet Socialist Republics.

The Committee may secure the assistance of the industrial experts with special knowledge of the question of international economic agreements who are already co-operating in the work of the Economic Committee of the League of Nations.

#### 4. AUSTRIA.

A proposal had been submitted to the Commission of Enquiry that a committee be set up to consider measures by which the difficulties peculiar to Austria might be remedied.

The Commission took note of this proposal. The representative of Austria having stated that his Government proposed, if necessary, itself to submit suggestions concerning the problems peculiar to Austria for consideration by the special committees provided for by the Commission, the latter approved this procedure.

#### 5. CREDIT.

With regard to the problem of credit, the Commission of Enquiry considers it highly desirable that the work of mutual aid among the European countries which it is pursuing may be seconded, thanks to the confidence which should result, by an effective policy of financial co-operation, more especially in the matter of long-term credit.

With a view to preparing for this co-operation, it requests the Council to appoint a small committee of five members, consisting of representatives of the Governments, to consider, in conjunction with a delegation of the Financial Committee, what practical steps could be taken to facilitate the issue of State loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets.

This Committee's attention will be drawn to the value of the enquiries undertaken by the International Labour Office with a view to relieving unemployment by means of important public works.

#### 6. COLLABORATION WITH SPECIAL COMMITTEES.

The Governments not represented on the special Committees mentioned in this report may submit to those Committees memoranda or proposals and may, if necessary, delegate or representative to support such memoranda or proposals.

#### 7. AGRICULTURAL PREFERENCE.

(a) The Commission of Enquiry recognises that, apart from the measures now in course of preparation or execution (organisation of the grain market, agricultural mortgage credit, etc.), the establishment of a preferential agricultural regime would have the effect of ensuring in the abnormal circumstances now prevailing prices which would afford a better return for the Central and Eastern Europe grain exporters.

The Committee mentioned in resolution 2 above, which is to meet on June 10th, 1931, may, if necessary, be entrusted with the task of ensuring the regular application of an exceptional regime of this nature and of co-ordinating the various arrangements made or contemplated with this object by the exporting States in agreement with the importing States.

The Commission of Enquiry considers that the particular facilities in question, designed to meet the difficulties of the present situation, could be granted only as an exceptional and temporary measure and subject to the interest of third States.

Further, the concessions which might be made in compensation should not be of a preferential character.

The question of the extension of special facilities to agricultural products other than grain will be placed on the agenda of the Co-ordination Sub-Committee referred to in Section 1 above. Meanwhile the Secretariat will prepare the necessary material so far as it can obtain information from the countries concerned.

#### 8. TRADE IN AND TRANSIT OF LIVE-STOCK, ETC.

Having regard to the capital importance of the problems of the trade in and transit of live-stock, etc., the Commission of Enquiry decides that the conclusions at which the Economic Committee may arrive in this connection at its next session, shall also be referred to the Sub-Commission on Economic Co-ordination.

### 9. UNEMPLOYMENT.

The Commission of Enquiry, having taken note of the International Labour Office's proposals with a view to practical action to relieve unemployment in Europe, requests that, with the Council's approval, a sub-committee composed of six members of the Commission should study, together with six members of the Governing Body of the International Labour Office, the problems of unemployment and in particular the possibility of developing forthwith the international distribution of labour and emigration of workers in Europe.

This Committee will also have to consider the draft contained in the Memorandum submitted by the International Institute of Agriculture proposing a better use of all the factors constituting production.

### 10. TRANSPORT AND TRANSIT OF ELECTRIC POWER.

The Commission of Enquiry requests the Council to ask the Communications and Transit Organisation to study the question of the regime of international exchanges of electric power in Europe and to consult the Belgian, Czechoslovak, Norwegian and Spanish Governments in the matter.

### 11. CUSTOMS EXEMPTION FOR LIQUID FUEL.

The Commission of Enquiry requests the Council to ask the Communication and Transit Organisation to study this question, if necessary in collaboration with the Economic Organisation, and invite the States Members of the Commission of Enquiry to forward to the Secretariat the documentary material relating to the regulations applied in this connection in the different countries.

### 12. CUSTOMS NOMENCLATURE.

With a view to contributing towards the improvement of conditions of trade between the different European countries, the Commission of Enquiry requests the Council to invite the Committee of Experts appointed to frame a draft unified nomenclature to expedite its work in order that its conclusions may be submitted to the next Assembly.

### 13. TREATMENT OF FOREIGNERS.

The Commission of Enquiry considers that a system of co-operation between the European States is inconceivable unless the nationals and undertakings of one State receive in the territory of the other States equitable treatment approaching as nearly as possible to that accorded to the nationals and undertakings of the State concerned.

It reaffirms that it would be desirable, as already asserted by the International Conference on the Treatment of Foreigners at the close of its first session on December 5th, 1929, to "draft . . . the proposed Convention on the most liberal lines, with the possibility of appending exceptions based on special situations of fact or of law at present existing, in view of which Governments would put forward their proposals".

The Commission of Enquiry has been informed of the steps taken in this sense by several of its members with a view to ensuring the success of the second session of the International Conference on the Treatment of Foreigners, and of the conformity of views reached by them on the majority of important points.

Being confident of the successful issue of the combined efforts of all its members in this field, the Commission invites the latter to give their whole attention, in a spirit of genuine international co-operation, to the various problems raised by the drafts of the Convention on the Treatment of Foreigners, and to take all useful steps to enable the delegates of the European States at the next session of the Conference to be furnished with instructions allowing of the conclusion of a convention representing a real improvement in the system of European economic relations.

### 14. PACT OF ECONOMIC NON-AGGRESSION.

The Commission of Enquiry had also to consider the draft Protocol submitted by the delegation of the Union of Soviet Socialist Republics. It decides to refer it for examination to the Sub-Committee mentioned under Resolution 1 above.



MEMORANDA FROM THE INTERNATIONAL INSTITUTE OF  
AGRICULTURE CONCERNING POINTS III(a), III(b) AND III(c)  
OF THE AGENDA OF THE COMMISSION OF ENQUIRY AT ITS  
MAY SESSION.<sup>1</sup>

I.I.A./C.S.Q.E.U.-III/(a)

I.

MEMORANDUM OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE  
ON THE WORLD CRISIS IN RELATION TO THE AGRICULTURE OF  
THE EUROPEAN STATES, WITH PARTICULAR REFERENCE TO  
UNEMPLOYMENT.

CONTRIBUTION TO No. III (a) OF THE AGENDA OF THE MAY MEETING OF THE COMMISSION  
FOR THE STUDY OF THE QUESTION OF EUROPEAN UNION.

SUMMARY :

I — The Economic Depression in Europe in its  
Relations to Agriculture.

II — The Place of Unemployment in the European  
Economic Organisation.

The third question on the agenda of the May meeting of the European Commission will be discussed in connection with a preliminary report prepared by the Economic and Financial Organisation of the League of Nations dealing with certain aspects of the present economic depression and also with a report prepared by the International Labour Office which contains proposals for a practical policy for remedying unemployment.

These two reports originate in a resolution of the Second Assembly of the League of Nations which, among other related resolutions, requests the assistance of the International Institute of Agriculture as regards questions falling within its particular competence. Hence the Institute has considered that it was incumbent upon itself to submit to the Commission certain arguments and suggestions from its own standpoint with regard to the problem under discussion — viz., the crisis and unemployment.

This report is in two parts of which the first is a statement bringing to date the statistical data together with a summary of the most salient facts in the evolution of the agricultural crisis. The second part first emphasises the vital interest of the agricultural world in the serious problem of unemployment, and then sets out a solution based on a plan of world economic organisation already personally advocated by M. de Michelis, President of the Institute, during the course of various meetings of the League of Nations and of the International Labour Office.

It is true that by definition this plan goes beyond the limits of the question of European Union, but any work of European organisation must, if it is to succeed, be pursued on lines parallel with the work of reconstruction and of rationalisation carried out in the world sphere by the great international organisations to which this universal mandate has been entrusted. On the other hand, the unemployment prevalent among the European populations presents, in view of the policy of restoration and reconstruction and mainly in view of agricultural interests, certain aspects which merit the special attention of the Commission for the Study of the Question of European Union.

*The Economic Depression in Europe in its Relations to Agriculture.*

The gravity and widespread character of the agricultural crisis in the countries of Europe have been fully discussed by the International Institute of Agriculture in several publications, particularly in the Economic Commentary on the *International Year-Book of Agricultural Statistics*.

Information obtained later at the Institute from various sources proves clearly that the depression which had been observed up to the middle of 1930 has continued in an aggravated form during the latter half of last year and during the first few months of the present year.

For the details not given in the present Memorandum, reference may be made to the publications of the Institute, and the Memorandum simply provides some general notes, based on the figures to be found in these publications.

<sup>1</sup> Note by the Secretariat. — The English and French texts of these documents were both prepared by the International Institute of Agriculture, and are reproduced in the exact form in which they were received.

The constantly increasing gravity of the abnormal situation, which has continued for a long period, is one of the most serious aspects of the general economic crisis, not only because of its immediate effects on the farming class, which it should be remembered represents about 40 per cent of the occupied members of the population of Europe, but also because of its indirect effects on the other groups of the population of the continent.

The reduction in purchasing power, an inevitable result of the fall in prices of agricultural products and of the increasing disproportion between farming receipts and expenditure, cannot fail to have disastrous consequences on all the other branches of economic activity. The crisis in industry, trade and transport is, to a large extent, the result of the impoverishment of the peasant classes itself due to the agricultural crisis. It is in this crisis that there will be found, if not the exclusive cause, undoubtedly the main cause underlying the general economic distress from which Europe is suffering.

At the same time, it should be frankly recognised that the methods applied in the national field for solving the present difficulties, have not only proved to be for the most part ineffective, but have in fact frequently tended to aggravate the general situation.

Measures of protection adopted by one country have given rise to retaliatory measures elsewhere, with the result that the barriers and restrictions to international trade have been multiplied to the prejudice of the whole world and without any lasting benefit to any country.

It seems that international action, inspired by considerations for the interest of all and based on the principle of a wise collaboration between the different countries, with the definite intention of eliminating the obstacles to the free circulation of labour, capital and commodities, is alone capable of leading to a gradual solution of the present difficulties and ultimately to the return of prosperity to agriculture and to European economic life in general.

#### *The Place of Unemployment in the European Economic Organisation.*

If any probability of success is to attend the effort of those organisations which are endeavouring to investigate the remedies for the present distress, a careful distinction must be made between that side of the economic chaos of the modern world which is due to movements that may be classed as cyclical and that side which is connected with those deeply seated and recurring forces that from time to time shake to their foundations the economic bases of social life. By keeping this distinction clear it may be possible to arrive at such a differentiation of the work of restoration or organisation as alone can ensure success.

The International Institute of Agriculture is glad to note that the International Labour Office, while transferring the study of the question of unemployment to the sphere of the subject of European Union, has prepared a programme for immediate realisation inspired by the praiseworthy desire to relieve within a period not too distant the suffering of the masses of unemployed workers. Undoubtedly the International Labour Office, which in this matter is the properly competent body, is better qualified than any other to judge of the form, the manner and the time in which certain claims on behalf of the working classes should be put forward.

It is agreed that it is essential to consider measures which are capable of prompt execution and are likely to relieve the overwhelming burden of unemployment and to counteract the moral and material deterioration of the unemployed workers. It is however obvious that the efficacy of these beneficent measures would be endangered unless they are based, either from the first or at a later stage, on a comprehensive public policy of reorganisation directed towards and resulting in the adaptation of the structure of present-day economic life to the rapid changes in the technique of production. For this transformation involves not only labour, but also all the other factors and coefficients of production, the land, capital in the form of equipment, etc., services of farmers or managers, while calling for powerful efforts on the part of public authorities to bring about the construction of the new economic edifice on a solid foundation.

As regards in particular that form of unemployment — the most serious of all — which is the consequence of the development of the technique of production, it is easy to note that agricultural productive activity and agriculture in general are concerned most deeply in the problems connected with such unemployment.

It is the rural population who are the first to pay dearly for the increased mechanisation and electrification of the means of production. The total or partial absorption in the factories of the masses of unemployed persons of the rural class will never turn them into specialised workers; and hence the first waves of industrial unemployment have the effect of eliminating these refugees. In the second place the unemployment of the town workers, whether due to technical changes, or endemic or seasonal, lowers the purchasing power of the population, whence comes the glutting of the markets with agricultural products and the depreciation of farming income. It will thus be seen that agriculture is fully qualified to put forward a scheme for the reshaping of the economic structure to the new demands of technique, of a kind which will find new channels for the demobilised farm labour and thus will check the process which is depressing the value of the products of the land as well as the value of the land itself.

As regards Europe this requirement takes on a special aspect. The lowering of the birth rate which is everywhere tending to bring about a reduction of population is

counteracted in Europe by a steeper fall in the death rate, resulting in considerable surplus working population. If these growing ranks of workers are not to constitute a dead weight on European economy it is essential that Europe should bring in from other countries the raw materials which she does not herself possess in sufficient quantity. The countries of the other continents which should supply these in return for the manufactured products of Europe are preferring, in consequence of that universal tendency to economic "autarchy" which has been so immensely developed since the war, to manufacture these goods themselves utilising their own raw materials. In consequence there is to be observed on the one hand a constant addition to the number of workers rendered increasingly serious by the stoppage of the flow of emigration, and on the other hand a shortage, which also becomes more and more marked, of material for transformation. No scheme of European co-operation and union can therefore leave out of consideration the position, the requirements and the tendencies existing in the other continents.

*Proposal for a Universal Organisation.*

On this question Senator de Michelis, President of the Institute, has had the opportunity, in his personal capacity, of explaining the ideas which have just been stated, and of outlining a scheme for a universal form of organisation, while giving special attention to the most urgent requirements of European reconstruction.

The International Institute of Agriculture, while not assuming any *parti pris*, is of opinion that it is desirable to give a summary of M. de Michelis' ideas as stated by him in the course of various public international debates, particularly in the League of Nations, and as worked out in detailed study not as yet published, of which the Institute has had the opportunity to see the proofs.

What is the structure of the proposed new Organisation ? It would consist in associating on the international plane and in combining, in such a way as to bring about the maximum output, the production coefficients which come into play in every agricultural and industrial enterprise — namely, land and raw materials, labour and capital. If something more than mere talk is the object, herein lies the only true sense and the only true basis of any reality in the formula "international co-operation", which is constantly preached and repeated in present day meetings and discussions. An essential and outstanding point in this conception is the permanence of private enterprise, the original primary source of the production of wealth. As however this permanence appears likely one day to be compromised, and the basis of property and of private economic interests to suffer a fatal blow, under the inevitable stress of the evolution of markets and of technique of production which far transcends the particularist policies of individuals, associations and nations, in order to become more increasingly an internationalised process. It is essential that means should be found for reconciling the existence of private enterprises with free international circulation of the primary elements in production, and it is further indispensable that present economic canons should be adapted to the new requirements of unified standards in marketing and in agricultural and industrial technique. The apprehensions to which such a programme will give rise are known well enough. It was doubtless in order to anticipate or to dispel these fears that Senator de Michelis, in referring to this question in the course of the Second Assembly of the League, emphasised that it was essential that the scheme, far from suggesting any form of compulsion or any exaggerated regulation, should involve the progressive abolition of all hindrances to the free circulation of labour and capital, together with their employment to the best economic advantage. On the other hand, as the proposal entails establishing a form of organised economic life, the idea of a circulation free from all kind of control is inadmissible. When reference is made to freedom to emigrate, it is certainly not intended that disorderly masses of workers should break like waves over the markets of other countries at the risk of impairing their stability and of bringing about crises harmful alike to the immigrant masses and to the workers of the country so invaded. Similarly, when an equitable distribution of capital is advocated, it should not be inferred that the fruits of many efforts should be sacrificed to the demands of others with no guarantee that they will be used to best advantage. In the first case the problem is to make fluid the forces of labour and to direct them into channels which will best serve the common interest, to establish them on the lands and to attach them to those agricultural and industrial enterprises which, as a result of this influx, will yield optimum results. The problem in the second case is to establish a system of international credit which will cause capital to flow to lands and enterprises where it can serve to maintain the most efficient combination of productive elements.

The Memorandum of the Institute gives a summary and rapid sketch of this conception of Senator de Michelis, so far as it relates to the three essential factors : 1. population and labour ; 2. lands and raw materials ; 3. capital and credit.

The Memorandum of the Institute concludes as follows :

The universal economic organisation, the elements of which have just been outlined, requires to be supported and enshrined in a legal framework which the co-operating States will be called upon to secure and guarantee. Is there in existence any organisation legally established on a corporative basis which would best secure the objects of an international rationalised and organised economic system ? Is there in existence a structure similar to the International Labour Office, with, it should be noted, all the adherences and the relations

of co-ordination essential in respect of technical competence, and above all with representation secured to consumers? Is there any such linking and amalgamation of existing organs already vested by the States with the powers necessary to this end?

It would be inadvisable to hazard any forecast on this point, before experience of action in view of the realisation of this end has been gained, seeing that it is only such experience that can give inspiration and suggest the right course to be pursued.

*Proposal of the International Institute of Agriculture.*

Meanwhile, so far as relates to the studies to be pursued in connection with European organisation, the International Institute of Agriculture requests the Commission for the Study of the Question of European Union to examine the following proposal: to establish a Special Sub-Commission, consisting of representatives of the Technical Organisations of the League of Nations (in particular the Economic and Financial Organisation, and the Organisation for Communication and Transit), of the International Labour Office, of the International Institute of Agriculture, and possibly including representatives of the Bank of International Settlements; as also of a certain number of experts. This body should be asked to undertake the study of the problem of unemployment from the point of view of a radical organisation of economic life based on the maximum utilisation for common ends of lands, raw materials, labour and capital.

This Sub-Commission should carry out its work in accord with the Commission, the establishment of which is proposed in the Report of the International Labour Office, or should identify itself with that Commission, which in such case should be enlarged in order to be in a position to deal with the proposals set out above.

I.I.A./C.S.E.Q.U.-III/(b)

II.

MEMORANDUM OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE  
ON THE WORK OF THE WORLD WHEAT CONFERENCE HELD IN ROME  
FROM MARCH 26TH TO APRIL 2ND 1931.

CONTRIBUTION TO NO. III (b) OF THE AGENDA OF THE MAY MEETING OF THE COMMISSION  
FOR THE STUDY OF THE QUESTION OF EUROPEAN UNION.

SUMMARY :

- |  |   |
|--|---|
| I. Organisation of Wheat Production and of the<br>Wheat Trade. | III. Preferential Tariff System.                    |
| II. International Agricultural Credit.                         | IV. Some Conclusions on the Work of the Conference. |

At its meeting last January, the Commission for the Study of the Question of European Union expressed its best wishes for the success of the Wheat Conference to be held in Rome during March, and referred to the Conference several important recommendations dealing, *inter alia*, with the cereal stocks of the Danubian countries, the disposal of future surpluses, preferential tariffs and agricultural credit.

The two sub-commissions which met in Paris on February 23rd and 26th also left the consideration of these questions to the Rome Conference, and one of these sub-commissions — as shown in the document which serves as the agenda paper for the May session of the Commission — reserved to itself the further consideration, if need be, of the question of the disposal of future crops, until after it had been seized with the results of the Rome Conference.

Hence it appears essential that the International Institute of Agriculture should make a brief report to the Commission on the results which have been reached by the Wheat Conference, particularly as regards the questions relating to agriculture with which the Commission is directly concerned and to which it will be giving further attention at the meeting in May.

Accordingly it may be useful to offer a brief statement, indicating the spirit and sense in which each of the points to which reference is made above was discussed in the Conference, on the basis of the documentation prepared by the Institute, as also the considerations which led up to the resolutions (set out in the Appendix) after the Conference had recognised unanimously the diverse character of the factors in the crisis, and also, with the like unanimity, that it is only on the international plane that the present wheat crisis can be studied and solved effectively.

The Conference met from March 26th to April 2nd, the following being the three main points discussed :

- (1) *International Organisation of Wheat Production and of the Wheat Trade ;*
- (2) *International Agricultural Credit ;*
- (3) *Preferential Tariff System.*

#### I. ORGANISATION OF WHEAT PRODUCTION AND OF THE WHEAT TRADE.

One of the outstanding results of the Rome Conference was to clear once for all the field of international discussion of the idea that it is possible to restrict and parcel out by any form of compulsion the areas sown, with the object of obtaining a general reduction of such areas.

This solution, which had already been discussed on various occasions, seemed to all present, so to speak, too rough and ready ; opposed as it is to the policy of economic freedom of numerous States, it is impossible to carry out in practice and — even were it possible — probably dangerous.

Owing to the very diverse character of the economic and agricultural conditions obtaining in the different countries and in the different regions within them, it would be impossible to institute in these with any similarity, and still less with any uniformity, such regulating schemes. Having regard to this diversity of economic and agricultural conditions, the question of cereal cultivation can only be discussed in its relation to other crops.

It is true that certain delegates asked the representatives of the exporting countries whether it might not be possible to initiate a policy which would guarantee for the future that no further extensions of sown areas would be admitted. In the end, however, the idea prevailed that the prices of products would not fail to influence the extent of the areas devoted to cereal cultivation, and also the argument that, the question being realised to be one of private economic interest, any limitation of areas can only be brought about through the goodwill of the farmers themselves and not as the result of any extraneous compelling cause (apart from propaganda), whether emanating from an international organisation or from the national Governments.

Although in practice it is neither possible nor desirable to take action in the sphere of production, the Conference clearly recognised, on the other hand, the feasibility and value of the policy designed to bring about improved organisation of the wheat market.

Part of this improved organisation must be a gradual process, starting from a close watching of the markets and a distribution of reports tending to improvement in the moral standards of the markets or informing the growers of the facts which, as they occur, may have an effect on these markets ; the final result will be an improved sales organisation.

A certain part, however, of the programme of progress seemed to call for more immediate action ; on the one side, the exporting countries require some scheme for dealing with the exports for the forthcoming season 1931-32, including the disposal of the heavy stocks in hand, while on the other the importing countries should endeavour to set up organisations for the purchase of imported wheats, the form of which will necessarily depend on the particular situation in each importing country.

As regards the first of these, reference should be made to a practical result of outstanding importance accomplished by the Rome Conference — viz., the promotion of the first meeting of the Overseas and European exporting countries (including the Union of Soviet Socialist Republics) who decided in the course of the Conference itself to meet in London on May 18th, for the purpose of drawing up jointly the scheme outlined above. Excellent results may be anticipated from this meeting, which will also have the opportunity of taking into account the statements made in the Conference to the effect that it will be a difficult matter to increase in Europe the consumption of wheat as human food.

As the Conference had determined that it was necessary that action should be taken rather in regard to the organisation and forms of marketing than in regard to the organisation and forms of production, it called attention to the need for a propaganda movement in favour of the extension of wheat consumption in those countries where wheat is not as yet included in the normal dietary.

In the discussions of the Conference the question of the further possibilities of world wheat consumption was also emphasised.

The Conference in effect envisaged, always from the international standpoint, the possibilities of the solution of its problem as lying rather in a variety of policies than in a singling out of any one particular policy.

#### II. INTERNATIONAL AGRICULTURAL CREDIT.

At the Rome Conference, this important question was developed in a manner which had not been foreseen. This development is an index of the earnest desire felt by a large number of countries to arrive at a settlement of a question which is so essential to the farming world. More especially is the importance of this settlement felt in its bearings on the problems relating to the different systems or organisation of farm undertakings, changes in cropping systems, enquiry into and improvement of trade outlets — all problems which have arisen out of the wheat crisis, assuming in the different countries varying aspects as regards technical details, but wherein in almost every case urgency is the predominant feature.



Although, as regards medium-term and long-term credit, the Conference expressed its full confidence in the work of the League of Nations for the foundation of an international mortgage credit institution, on the other hand the Conference emphasised, in a way so far unprecedented, the importance of the question of short-term credit.

As regards the cereal crisis, and because of the new credit needs that have emerged in connection therewith, it was clearly pointed out at the Conference and particularly by certain countries that agricultural short-term credit requires to be increasingly developed, and this even by utilising possibilities of transfers of capital from one country to another and on the international plane.

Short-term credit is advocated more particularly as encouraging changes in cropping systems with the object of avoiding hasty sales of products to meet debts already contracted under burdensome conditions, etc. The question is also one of agricultural commercial credit, *i.e.*, intended to assist the farmer, not so much in the stage of production as at the stage of distribution.

It is on this question of short-term credit that the whole attention of the Institute is being directed from now onwards, since as regards medium- and long-term credit, the new organisation which is about to be formed under the auspices of the League of Nations will fully meet the requirements of the countries which have credit needs.

As regards short-term credit, the Institute has been able to utilise the international enquiry which it undertook in 1928: a concrete scheme has been prepared for the establishment of an International Bank of Short-Term Credit, the statutes of which will be submitted to the Governments concerned at an early date. It may thus be stated that — unless unforeseen circumstances arise — the new organisation will shortly occupy the place left vacant by the Institute which is about to be founded for land mortgage credit under the auspices of the League of Nations.

It will be possible in this way to fulfil satisfactorily the desires of the agricultural countries.

### III. PREFERENTIAL TARIFF SYSTEM.

The question of preferential treatment, which had already been examined in the course of a number of previous international meetings, was also examined by the Rome Conference. It has advanced a stage nearer settlement on this occasion, owing to the fact that there met on the same ground countries demanding such treatment and countries on the economic life and on the mutual relations of which this treatment might have serious effects.

It was, in fact, decided at Geneva, at the Second International Conference in favour of a concerted economic policy, on the proposal of the special Committee, that a tariff preference could not be brought into force except with the consent of the countries concerned enjoying the most favoured nation treatment. At the Rome Conference this principle of preferential treatment, even in view of the system of the most favoured nation clause which governs most of the relations established by commercial treaties, has not been unanimously accepted, a fact which is in itself quite intelligible.

The principal difficulty encountered by the Commission lay in the fact that the delegates of several important wheat exporting countries declared that they did not possess the materials necessary to enable them to estimate the possible loss which they might suffer as a result of the preferential system, nor the possible advantages that they might be able to derive therefrom.

Hence, if the interested countries, who are prepared to make trade agreements on a preferential basis, desire to continue the discussion, it will be necessary for them to have recourse to diplomatic channels.

In a word, the purely theoretical discussion of principles has been advanced to a conception of practical value following the line indicated as the best for forecasting the effect of a clearly defined demand and for establishing the conditions of reciprocity consequential thereon.

With the guarantees provided by this forecasting and settlement of conditions, the preferential system, although not unanimously accepted in principle, seemed to be capable of practical realisations, safeguarded by diplomatic conversations between the High Contracting Parties.

### IV. SOME CONCLUSIONS ON THE WORK OF THE CONFERENCE.

The resolutions approved under the three headings shown in the Final Act will serve to indicate the lines of preparation for the second World Wheat Conference arranged by the International Institute of Agriculture which, as the Governments have already been informed officially, will meet in Rome during April 1932.

As regards, however, the immediate present, there is no gainsaying the great value of these resolutions by reason of the suggestions they contain as to the lines to be followed and the methods to be adopted for the purpose of bettering the conditions of the wheat market and of discovering the best methods of so regulating exchanges as to arrive at a better organisation of economic life in general.

The fact that 48 States belonging to the five continents took part in the Conference, and also that the Governments were represented by persons of high eminence and by authoritative experts, gives to the resolutions of the Conference an outstanding importance.



It is well to bring these points in evidence to show that the Wheat Conference, which was organised in direct accord with the League of Nations and with the Commission for the Study of the Question of European Union marked a real stage of progress on the road of international collaboration and mutual aid.

I.I.A./C.E.U.E.-III/(b)-Annex.

III.

FINAL ACT OF THE INTERNATIONAL PREPARATORY CONFERENCE OF  
THE SECOND WORLD WHEAT CONFERENCE

(Rome, International Institute of Agriculture, March 26th to 2nd, 1931).

The official delegations of the following countries :

Germany,	Great Britain and Northern	Lithuania,
Argentine,	Ireland,	Mexico,
Austria,	Australia,	Norway,
Belgium,	Canada,	Netherlands,
Belgian Congo,	India,	Peru,
Bolivia,	Union of South Africa,	Persia,
Bulgaria,	Irish Free State,	Poland,
Denmark,	Greece,	Portugal,
Egypt,	Guatemala,	Roumania,
Spain,	Hungary,	Sweden,
Estonia,	Italy,	Switzerland,
Finland,	Eritrea,	Czechoslovakia,
France,	Cyrenaica,	Turkey,
Algeria,	Italian Somaliland,	Union of Soviet Socialist
Morocco	Tripolitana,	Republics,
(French Zone),	Japan,	Uruguay,
Tunis,	Latvia,	Yugoslavia,

have met on the invitation of the International Institute of Agriculture and at the Palace of the Institute from March 26th to April 2nd for the International Preparatory Conference of the second World Wheat Conference.

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Representatives of the Secretariat of the League of Nations, of the International Labour Bureau, of the International Co-operative Alliance, of the International Chamber of Commerce, of the International Commission of Agriculture, of the Permanent International Commission of Agricultural Associations (C.I.P.A.), of the Agricultural Delegation of the Economic Committee of the League of Nations and of the Interparliamentary Union also took part in the Conference, in the capacity of Observers or as persons invited by the Institute. In addition, the Institute had invited the full members of its Agricultural Economic Committee, to take part in the work of the Conference and to hold their third Session during the course of the meeting.

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In connection with the work of the Conference, the International Institute of Agriculture, which likewise made all arrangements for the work of preparation, had prepared a special documentation, comprised in five pamphlets bearing the following titles :

- (1) Note on the situation of the world wheat market ;
- (2) Principal measures adopted in the various countries in view of the wheat crisis ;
- (3) Recommendations and resolutions of recent international meetings, relating to wheat ;
- (4) Note on International Agricultural Credit ;
- (5) Statistical documentation on the production of, trade in and price of cereals.

*Annex* : Texts of Laws relating to cereals.

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The Conference invited His Excellency Senator Giuseppe de Michelis, Ambassador, President of the International Institute of Agriculture, to act as its President.

It constituted its Presidential Bureau as follows : His Excellency Baron Acerbo, Minister of Agriculture and Forests of the Kingdom of Italy ; His Excellency Count Karolyi, Minister

of Foreign Affairs of the Kingdom of Hungary; His Excellency M. Madgearu, Minister of Agriculture of the Kingdom of Roumania; His Excellency Dr. Dollfuss, Federal Minister of Agriculture and Forestry of the Austrian Republic; His Excellency M. François-Poncet, Under-Secretary of State to the President of the Council and of the National Economy of the French Republic; His Excellency M. Ahmed Abdelwahab Pasha, Under-Secretary of State to the Ministry of Finance of Egypt; Dr. Hermes, Deputy, former Minister of the German Reich; His Excellency M. LeBreton, former Minister, Ambassador of the Argentine Republic to the President of the French Republic; Mr. MacDougall, Trade Commissioner of Australia in London; M. Mullie, Senator of the Kingdom of Belgium; the Hon. George Howard Ferguson, High Commissioner of Canada in London; Sir Ronald Graham, Ambassador of His Britannic Majesty at the Court of H.M. the King of Italy; His Excellency M. Seya, Special Envoy and Minister Plenipotentiary of Latvia at the Court of H.M. the King of Italy; His Excellency M. Wagnière, Special Envoy and Minister Plenipotentiary of the Swiss Confederation at the Court of H.M. the King of Italy; Prof. Kritsman, Vice-President of the State Commission for the Economic Plans of the Union of Soviet Socialist Republics; M. Louis-Dop, delegate of France and of the French Colonies on the Permanent Committee of the International Institute of Agriculture, Vice-President of the Institute.

Professor Brizi, the Secretary-General of the International Institute of Agriculture, was elected Secretary-General of the Conference and appointed the Secretariat of the Conference, composed of members of the staff of the International Institute of Agriculture.

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The International Preparatory Conference of the second World Wheat Conference first examined the questions on the agenda, during the course of a certain number of plenary sessions.

It then formed three Commissions: the first for the *International Organisation of Wheat Production and the Wheat Trade*, the second for *International Agricultural Credit* and the third for the *Preferential Tariff System*.

The Presidents of these three Commissions were M. François-Poncet (First Commission), M. Mullie (Second Commission) and M. W. Stucki (Third Commission), who submitted the reports of their respective Commissions.

In addition the Conference judged it opportune to entrust to a special Committee, chosen from among the delegations of the exporting countries, the task of preparing a further meeting of all the exporting countries, both European and overseas. This Committee held a meeting during the Conference.

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The results of the debates during the plenary sessions and the work of the Commissions have strengthened the conviction of all the members of the Conference that the present wheat crisis can only be studied and solved effectively on the international plane.

Consequently, it is in this spirit, that the Conference, during the final session which followed the conclusion of the work of the Commissions, adopted the following resolutions:

#### I. INTERNATIONAL ORGANISATION OF WHEAT PRODUCTION AND OF THE WHEAT TRADE.

(1) The International Preparatory Conference of the Second Wheat Conference recommends examination of the possibility, in countries where wheat is already consumed, of considering the means of developing such consumption. It also recommends a strong publicity campaign in order to popularise the consumption of wheat in countries where it is not at present largely used. It is of opinion that in order to give full effect to this publicity, it would be desirable to sell off at low prices in such countries, part of the stocks, which overburden the world market.

(2) It recognises that the European countries, for manifold reasons, economic, social or political, are unable, either to give up the cultivation of wheat or to allow it to be neglected.

(3) It recognises that it is impossible to secure a general reduction in the areas sown throughout the world by the direct method of obligatory restriction, whether advocated by an international body or by national bodies.

It is convinced that the reduction of sowings can only be obtained by natural methods, by the farmers themselves, influenced by the conditions of the market and a study of the figures and of the facts.

It recommends that in countries which consider it advisable, this influence should be reinforced by an educational propaganda among the producers.

(4) The Conference considers that, in order to secure the solution of the wheat crisis, it is particularly necessary that there should be an improved organisation of the wheat market. Such organisation should be brought about rather by a gradual and progressive policy, based step by step on the results obtained, than by any policy that claims to cover every aspect of the problem.

In order to reach a rapid solution, it recommends the countries interested to concentrate their efforts for the present on some particular, definite and limited object, such as the disposal or the organisation of the carry-over of existing stocks.

(5) The Conference is glad to note that the wheat exporting countries, overseas and European, have decided to draw up together a scheme to deal with the wheat export season 1931-32 and with existing stocks, and that they will meet for this purpose, under

the presidency of the Hon. George Howard Ferguson, High Commissioner of Canada, in London, on May 18th.

(6) At the same time the Conference recommends the different buyers in those importing countries where the need should make itself felt to endeavour to form organisations for the purchase of imported wheats. Such organisation may take any form whatever which may be suitable in view of the particular situation in each country.

(7) The Conference considers that the International Institute of Agriculture and the Economic Organisation of the League of Nations should follow closely the efforts to be made by the various countries in the sphere of wheat production and trade, in order to be in a position to take in full agreement such steps as current experience may suggest.

(8) It considers that the improvement of the organisation of world wheat production and trade largely depend on an improvement in the provision of information and of statistical forecasts.

It expresses its confidence in the International Institute of Agriculture as a means for co-ordinating the statistical data of the various countries in this respect, for checking and interpreting the figures, for supplementing the documentation from official sources by such professional or commercial documentation as may throw light on the problem, for facilitating the utilisation of statistical information and for making it available without delay by the interested parties.

The Conference recommends all the States to increase the financial resources available for the International Institute of Agriculture, in order to enable the Institute to carry out this work to best advantage.

## II. INTERNATIONAL AGRICULTURAL CREDIT.

(1) The Preparatory Conference of the second World Wheat Conference has examined with special attention the part which a systematic organisation of agricultural credit can play in improving the general situation of agriculture, and in particular, in overcoming the grain crisis.

It is of opinion that it is more than ever necessary to be able to obtain for farmers and in particular for wheat growers at low rates of interest, the capital of which they have need, and that, with that object, it is desirable to examine, from an international point of view, the question of agricultural credit, which differs from commercial credit in the forms imposed upon it by the special conditions of agricultural production.

(2) With regard to medium-term and long-term credit, which serves principally to enable farmers to purchase equipment and stock, to acquire or to enlarge a holding, to carry out land improvement and to effect transformations in systems of cultivation, in order to restrict, when desirable and possible, the area sown to cereals and to develop the cultivation of crops which can advantageously replace them, the Conference is pleased to learn that the Financial Committee of the League of Nations, taking account of the studies made by the International Institute of Agriculture, is at present contemplating the formation of an international mortgage credit institution.

It expresses the wish that this organisation should as quickly as possible be in a position to supply, at the most favourable rates, medium-term and long-term credit to the farmers of all countries.

The Conference is of opinion that medium-term and long-term credit is as useful to corporate bodies as to individuals and that it should also serve to facilitate the construction of elevators, of silos and of co-operative warehouses, and the organisation of co-operative societies for the marketing of grain and of other agricultural products.

The Conference points out that medium-term credit can also be useful to farmers who are not the owners of their farms as, in default of mortgages, they can give other effective security, such as agricultural warrants, liens on crops, sureties, or joint and several guarantees.

(3) The Conference notes that in the present crisis, short-term agricultural credit is of particular importance and that it should be encouraged as much as possible by the Governments of the different countries.

This form of credit, in fact, can enable farmers and particularly grain growers to avoid hasty sales immediately after the harvest, which lower and disturb the course of prices, to the detriment of the producer and without benefit to the consumer. By facilitating the substitution of other crops for wheat, and systematic and orderly marketing by individual farmers as well as by co-operative societies, short-term agricultural credit can contribute to a rationalisation of production, to a greater stabilisation of prices, and to a better organisation of exports and of markets.

In this regard, the Conference is of opinion that the transfer of capital may advantageously take place between countries where it is plentiful and cheap and those where it is scarce and costly, and that it is necessary to study the means of facilitating such transfer of capital on an international scale in order to develop short-term agricultural credit in all countries.

(4) The Conference again expresses the opinion that it is desirable to provide exporters with the credit necessary for speeding up the clearance of stocks and that in particular transport agencies, bonded and general warehouses and shipping companies might with advantage intervene here by utilising the credit which such bodies have already at command.

Thus, as proposed by the Committee established by the Commission for the study of the question of European Union, it might become possible to consider for the purpose of discounting bills a fuller utilisation of those markets on which the rate of interest is low, the issue of warrants on merchantable products, and the possible introduction of the system of a negotiable way-bill.

(5) The Conference requests the International Institute of Agriculture to continue its studies relating to agricultural credit, and to endeavour to draw up a general scheme for the organisation of short-term agricultural credit.

### III. PREFERENTIAL TARIFF SYSTEM.

The Conference has noted that the discussion on the preferential tariff system, which took place in the Commission appointed to consider this question, was based on an appendix to the report of a Commission of the Second Conference in favour of a concerted economic policy, which met at Geneva in November 1930. The discussion has been carried as far as is at present possible in the field of multilateral conversations.

The principal difficulty encountered by the Commission lay in the fact that the delegates of several important wheat exporting countries declared that they did not possess the materials necessary to enable them to estimate the possible loss which they might suffer as a result of the preferential system, nor the possible advantages that they might be able to derive therefrom.

Hence, if the interested countries, who are prepared to make trade agreements on a preferential basis, desire to continue the discussion, it will be necessary for them to have recourse to diplomatic channels.

The Commission also ascertained that all exporting countries have the same interest, in so far as they all desire to see the European market strengthened, so that they may obtain remunerative prices for their cereals.

\* \* \*

The above resolutions were adopted by the Conference unanimously, except for the abstention of the delegation of the Union of Soviet Socialist Republics as regards Chapter I — in accordance with the reserves expressed as regards Nos. 1 and 7 of this chapter, as to the remainder of which the delegation is favourable — and the contrary vote of the same delegation regarding Chapters II and III.

\* \* \*

The intention of the Preparatory Conference, in adopting the resolutions set out on the previous pages, has been, on the one hand, to indicate to persons interested throughout the world the paths that may be followed and the means that may be adopted to bring about better conditions on the wheat market and, on the other, to provide the International Institute of Agriculture with a proper orientation of its work of preparation for the second World Wheat Conference, which the authorities of the Institute have arranged to call in 1932 as the various Governments have already been duly informed.

The Preparatory Conference considers that it is a particularly happy circumstance that the means should have been found for the consideration and discussion of questions of great importance and of extreme delicacy in a meeting attended by a large number of authorised representatives of the exporting and of the importing countries of five continents, all of whom were fully persuaded of the urgent necessity of finding a remedy for the present situation.

Executed at Rome, the second day of April, one thousand nine hundred and thirty-one.

A copy of the present Act will be sent to the different Governments by the International Institute of Agriculture.

(Signed) for	Germany . . . . .	Dr. A. HERMES
"	" Argentine . . . . .	FERNANDO PEREZ
"	" Austria . . . . .	STRAUBINGER
"	" Belgium . . . . .	G. MULLIE
"	" Belgian Congo . . . . .	ALBERT HENRY
"	" Bolivia . . . . .	LUIS SEGARINI
"	" Bulgaria . . . . .	IAN S. MOLLOFF
"	" Denmark . . . . .	J. C. W. KRUSE
"	" Egypt . . . . .	A. ABDELWAHAB
"	" Spain . . . . .	LUIS R. DE VIGURI
"	" Estonia . . . . .	A. SCHMIDT
"	" Finland . . . . .	PONTUS ARTTI
"	" France . . . . .	ANDRÉ FRANÇOIS-PONCET
"	" Algeria . . . . .	LOUIS-DOP
"	" Morocco (French Zone) . . . . .	G. MALET
"	" Tunis . . . . .	LOUIS-DOP
"	" Great Britain and Northern Ireland	RONALD GRAHAM

(Signed) for	Australia . . . . .	F. L. MACDOUGALL
"	Canada . . . . .	G. H. FERGUSON
"	India . . . . .	H. A. F. LINDSAY
"	Union of South Africa . . . . .	B. PIENAAR
"	Irish Free State . . . . .	M. H. RAFFERTY
"	Greece . . . . .	P. A. METAXAS
"	Guatemala . . . . .	G. MONTEFIORE
"	Hungary . . . . .	G. PRONAY
"	Italy . . . . .	GIACOMO ACERBO
"	Eritrea . . . . .	PASQUALE SANDICCHI
"	Cyrenaica . . . . .	E. DE CILLIS
"	Italian Somaliland . . . . .	PASQUALE SANDICCHI
"	Tripolitana . . . . .	E. DE CILLIS
"	Japan . . . . .	S. YOSHIZAWA
"	Latvia . . . . .	P. SEYA
"	Lithuania . . . . .	V. CARNECKIS
"	Mexico . . . . .	J. BALLESTEROS
"	Norway . . . . .	OSKAR JAHNSEN
"	Netherlands . . . . .	J. J. L. VAN RIJN
"	Peru . . . . .	PIETRO CHIMIENTI
"	Persia . . . . .	<i>Délegué observateur</i> : MOSTAFA SAMII
"	Poland . . . . .	ADAM ROSE
"	Portugal . . . . .	JOSÉ DE BIVAR BRANDEIRO
"	Roumania . . . . .	V. MADGEARU
"	Sweden . . . . .	ERIK SJÖBORG
"	Switzerland . . . . .	WAGNIÈRE
"	Czechoslovakia . . . . .	J. U. Dr. MASTNY
"	Turkey . . . . .	SUAD
"	Union of Soviet Socialist Republics . . . . .	LÉON KRISTMAN
"	Uruguay . . . . .	ENRIQUE JOSÉ ROVIRA
"	Yugoslavia . . . . .	Dr. O. FRANGES

*President of the Conference :*

(Signed) Giuseppe DE MICHELIS,

*President of the International Institute of Agriculture.*

*Secretary-General of the Conference :*

(Signed) A. BRIZI,

*Secretary-General of the International Institute of Agriculture.*

I. I. A./C. S. E. Q. U.-III/(c).

IV.

MEMORANDUM OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE  
ON THE CREATION OF AN INTERNATIONAL BANKING INSTITUTION  
FOR THE PURPOSES OF SHORT-TERM AGRICULTURAL CREDIT.

CONTRIBUTION TO No. III (c) OF THE AGENDA OF THE MAY MEETING  
OF THE COMMISSION FOR THE STUDY OF THE QUESTION OF EUROPEAN UNION.

SUMMARY :

- I. The Need of Short-Term Agricultural Credit.
- II. International Organisation of Short-Term Agricultural Credit.
- III. Appendix — Regulation of short-term Agricultural Credit in the Countries of Central and Eastern Europe.

I. *The Need of Short-Term Agricultural Credit.*

The International Institute of Agriculture has always recognised the great importance for agriculture of short-term credit and has followed its development in different countries from both the legislative and the economic point of view. However, since 1926 it has devoted more attention in the course of its studies to the question of land credit, as the need of such credit was keenly felt, especially in the countries in which an agrarian reform had taken place. But when the League of Nations took the initiative in the practical realisation of the idea of medium-term and long-term credit, the International Institute of Agriculture turned its attention to the question of short-term credit. At the Preparatory Conference of the second World Wheat Conference, convened by the International Institute of Agriculture and held in Rome on March 26th of the present year, the Institute presented the results of its work, on the basis of which a meeting of representatives of the various States was to be held in Rome, during the first six months of this year.

The question roused considerable interest and an exchange of views on the subject took place during the meeting of the Second Committee of the Conference.

A strong current of opinion in favour of short-term credit manifested itself. Prominent representatives of the different countries both of Eastern and of Western Europe (Poland, Roumania, Bulgaria, Yugoslavia, Hungary, France, Spain, Italy, etc.) urged the necessity, in present circumstances, of considering short-term credit as well as medium-term and long-term credit. They maintained that in view of the crisis in cereal-growing and of the agricultural crisis in general, short-term credit must play an essential part in restoring the economic and commercial equilibrium of the farms and in facilitating their working. The lack of sufficient working capital, of which complaint is made, forced the farmers, in order to meet their engagements, to sell their produce at inopportune times, and made it impossible for them to introduce the transformations and adaptations of the systems of cultivation followed which are rendered necessary by the present trend of prices. Moreover, this lack of adequate capital deprived them even of the simplest means for holding, storing and conserving their produce, and compelled them to pay rates of interest that are too high — often, indeed, exorbitant — and completely absorb the profits of the farm. Another general impression left by the Preparatory Wheat Conference was that a system of agricultural credit the essential object of which is to support agriculture during the distributive period — that is to say, during the complicated phase of the passage of produce from the place of production to the market — would help to attenuate the consequence of the crisis in cereal-growing and agricultural production generally, the causes of which are to be sought, in the opinion of many persons, rather in the defective organisation of trade and of the markets than in over-production and for which, consequently, an effective remedy can be found in the rational organisation of short-term credit at low rates of interest.

From these considerations, the Preparatory Wheat Conference drew the following, amongst other, conclusions :

“ . . . . . that it is more than ever necessary to be able to obtain for farmers and in particular for wheat growers at low rates of interest, the capital of which they have need, and that, with that object, it is desirable to examine, from an international point of view, the question of agricultural credit, which differs from commercial credit in the forms imposed upon it by the special conditions of agricultural production.

“ . . . . . that in the present crisis, short-term agricultural credit is of particular importance and that it should be encouraged as much as possible by the Governments of the different countries.

“ This form of credit, in fact, can enable farmers and particularly grain growers to avoid hasty sales immediately after the harvest, which lower and disturb the course of prices, to the detriment of the producer and without benefit to the consumer. By facilitating the substitution of other crops for wheat, and systematic and orderly marketing by individual farmers as well as by co-operative societies, short term agricultural credit can contribute to a rationalisation of production, to a greater stabilisation of prices, and to a better organisation of exports and of markets.

“ . . . . . that the transfer of capital may advantageously take place between countries where it is plentiful and cheap and those where it is scarce and costly, and that it is necessary to study the means of facilitating such transfer of capital on an international scale in order to develop short-term agricultural credit in all countries.

“ . . . . . that it is desirable to provide exporters with the credit necessary for speeding up the clearance of stocks and that in particular transport agencies, bonded and general warehouses and shipping companies might with advantage intervene here by utilising the credit which such bodies have already at command.

“ Thus, as proposed by the Committee established by the Commission for the Study of the Question of European Union, it might become possible to consider for the purpose of discounting bills a fuller utilisation of those markets on which the rate of interest is low, the issue of warrants on merchantable products, and the possible introduction of the system of a negotiable way-bill.”

Finally, the Conference requested the International Institute of Agriculture to continue its study of the question of agricultural credit, and to endeavour to promote the widespread organisation of short-term agricultural credit.

## II. *International Organisation of Short-Term Agricultural Credit.*

From the data contained in the Annex, as well as from all the available documentation, it is evident that in general short-term agricultural credit has been organised with special reference to the requirements of production, and that sufficient account has not been taken of the series of credit needs connected with the various operations to which agricultural products are subjected when they leave the farm — holding, grading, storing, conserving, packing, transport, shipment, loading, unloading, etc. In other words, what may be described as the commercial disposal of agricultural produce remains excluded from the benefit of credit, and the importance of the disposal of produce, in the present state of the markets and of consumption, is only too obvious.



Agricultural credit in connection with the sale and exportation of produce has not yet attained the development required. The gaps and the disorder to be met with in this field are, on the other hand, undoubtedly one of the principal reasons why markets are glutted, prices have declined, and, in many countries the farmers are in distress. Cases are frequent in which important products, such as wine and oil, are sold to disadvantage because of the absence of receptacles in which they can be conserved, or cereals and fruit are sold to disadvantage on account of the want of storage accommodation or of means to pay the cost of transport to centres where they could be sold to advantage.

Another fact which is clear from the data given in the Annex and was also insisted upon at the Preparatory Wheat Conference is the high rate of interest charges for short-term agricultural credit, a rate that is quite out of proportion to the returns at present derived from farming. In consequence, the farms become more and more overwhelmed by burdensome debts, which paralyse their working. This gives rise to another necessity, which has a moral as well as an economic aspect — that of supplying the means of converting debts contracted at excessive rates of interest and of gradually paying off the debts which result from the working of the farms. A wise measure of this kind would enable the agricultural classes more readily to overcome the difficulties resulting from the decline of prices and to restore to their farms that freedom of action which is indispensable to their normal working.

Realising the necessity, which results also from the resolutions of the Preparatory Wheat Conference, of promoting the more wide-spread development of short-term agricultural credit, particularly for the classes of operation above referred to, the International Institute of Agriculture has conceived the idea of creating an International Bank for the purposes of short-term agricultural credit. Such a Bank, formed as the result of a public Convention, would be able to establish fruitful relations with the International Agricultural Mortgage Credit Bank which is going to be created under the auspices of the League of Nations. The Bank of which the creation is proposed would work through the national or regional agricultural credit institutions, which would act as its representatives and confidential agents. The new bank, which will work with an international capital, will act as a great rediscounting institution. Loans to farmers will be made, as a general rule, in the form of bills, bearing the signature of the producer (individual or co-operative society) or of the intermediary and of the local bank. The operations in question will, moreover, have collateral security in the form of goods deposited in public or private warehouses. The sums advanced, which must be applied to specific purposes, will bring about an effective improvement in the conditions of agriculture and of the rural classes. The proposed bank will, in fact, be a public institution, acting in the general interest and not seeking to make profits, and will charge the lowest possible rates of interest.

This institution, to which all States will be able to have recourse, is intended to fill up the financial or technical gaps in the existing systems of agricultural credit and will improve the conditions of the farmers, especially in relation to the new requirements and the difficulties resulting from the agricultural crisis.

It may be described as a wider application to agriculture of the principles of "acceptance" credit, which is much in vogue in Great Britain. It is well known that stocks of produce, in order to furnish a basis for credit, must be deposited in warehouses or be in transit — whether sold or not — or must be already sold for future delivery or against deferred payment. Against the value of agricultural produce stored, in transit, or sold, documents are issued, such as warrants, way-bills, bills of lading, sale agreements. What is required is to ensure the negotiation and discounting of these documents. The discounting of endorsed documents facilitates the clearing of stocks of agricultural produce — that is to say, the sale of such stocks and in the case with which we are here concerned, their transference from one country to another, thus helping to adjust the supplies in the markets.

The International Short-Term Credit Bank will quickly be formed if, as we hope certain number of Governments reply favourably to the request which will be made to them by the International Institute of Agriculture to examine the Rules and to approve the lines laid down for its working. The meeting to form the Bank, *which the International Institute of Agriculture decided to convene as far back as last December*, will shortly be held in Rome.

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In conclusion, the International Institute of Agriculture will be grateful to the Commission for the Study of the Question of European Union if it will be good enough to give its moral support to this new initiative and to decide, as it did for the question of international medium-term and short-term agricultural credit, to nominate a Sub-Committee to enter into relations with the International Institute of Agriculture and to report to the Commission for the Study of the Question of European Union on the subsequent phases of the creation of the new International Short-Term Agricultural Credit-Bank.

### III. APPENDIX

#### *Regulation of Short-term Agricultural Credit in the Countries of Central and Eastern Europe.*

In order to obtain a concrete idea of the question, it is desirable to examine the essential methods of organising short-term credits in countries where agrarian reform and the economic depression have accentuated the requirements in ready money, which, to a great extent, it has been impossible to meet.

*Bulgaria.* — The short-term credit granted by the Agricultural Bank, directly or through agricultural co-operative societies, may take the form of personal credit or warrant credit, the one granted against promissory notes and the other against security, with or without sureties, for periods of from one to twelve months. Loans on promissory notes are intended to meet temporary requirements — the payment of small debts, the temporary maintenance of the family, funds required for harvesting, the purchase of seeds, implements, etc. The Bank grants credits up to 5,000 leva without surety and up to 20,000 leva with surety. Warrant credits are repayable within one, two or three years, and are granted for larger purchases of agricultural machinery and implements, draught animals and live-stock for breeding purposes, for the purchase of seed and fodder in larger quantities, etc. Loans of this kind are granted up to 20,000 leva, with or without surety. According to the purpose for which the loan is required, the position of the debtor, and the value of the goods and live-stock pledged, this limit may be raised to 50,000, 100,000, 200,000, 300,000 leva or more. Warrant credits are ordinarily granted against a lien on all the agricultural movable property and stocks, the amount of the advance representing not more than 80 per cent of the value of the property pledged. Farmers have to pay interest of 10 per cent per annum to the Agricultural Bank of Bulgaria; 15 to 16 per cent to private banks; 16 to 20 per cent to private persons, and, in many cases, over 20 per cent.

*Estonia.* — Short-term credit, from the point of view of guarantees, may be classified under the following headings. (1) personal credit; (2) credit with a co-operative guarantee; (3) credit against the security of movable property. The rate of interest is from 2 to 12 per cent for credits granted by the State and not more than 13 per cent for private credit.

*Hungary.* — Short-term loans are granted against bills of exchange, generally falling due at three months, or, in exceptional cases, at six months. As a rule, these bear the signatures of two or three securities. If a bill is presented by a credit co-operative society to the central mutual credit society for re-discount, it has to be guaranteed also by the branch which has availed itself of the re-discounting. For short-term loans, therefore, creditors generally require surety in the form of a mortgage. A recent law allows even short-term credits to be granted on a suitable mortgage guarantee without being entered in the land register. In Hungary, only wheat, rye, meslin and barley may be mortgaged. For this purpose, they must be stored in the producers' granary or in the silos of storage companies. A mortgage on wheat can only be legalised by a notarial or private deed, and must be entered in a special register kept by the mayor. The annual rate of interest on short-term loans is from 7 to 12 per cent.

*Latvia.* — The short-term loan has a duration of from three to nine months. Personal debts are often covered by a mortgage or by a lien on movable property. This form of credit is employed for seasonal and current requirements. The State Agricultural Bank also grants short-term credits for milking animals and for fertilisers, not direct, but through co-operative societies, against a joint caution by the contractors of the loan or a mortgage on the farmers' property. Rural credit institutions which have the right to re-discount with the Bank of Latvia demand 5 per cent per annum. The credits granted by these institutions with their own capital earn interest of from 10 to 12 per cent per annum; commercial firms and private persons charge the same rates.

*Poland.* — There are two principal types of short-term credit: (a) credit in cash, granted by public and private banks, agricultural credit co-operative societies, and the local finance offices of districts and communes; (b) credit in kind, principally in the form of chemical fertilisers, agricultural machinery, selected seeds, etc., granted by agricultural co-operative societies, by the State Agricultural Bank, and by producers and private traders. Three forms of short-term credit are in use: (1) discount credit, (2) fixed-term credit, and (3) credit without cover. The securities given for personal credit consist of bills at a fixed date, warrants, and promissory notes. Credit based on a collective guarantee is also employed, being granted by the State Agricultural Bank, for the purchase of chemical fertilisers and agricultural machinery, to large groups of farmers formed into societies, on the joint surety of their members. A law of March 22nd, 1928, instituted a mortgage without the handing-over to the creditor of the mortgage objects. The State Agricultural Bank charges the following rates of interest on short-term credits: for loans to farmers direct, 10½ per cent; to co-operative societies and local loan banks, 8½ per cent (discount rate) and 9 per cent (rate for credit without cover). The rate of interest charged on private loans varies considerably, and in certain localities it is extortionate.

*Roumania.* — Short-term agricultural credits granted by the popular banks, the mortgage loan institutions, the departmental credit institutions and the banking sections of the Rural Land Bank are issued for a period of not more than one year. Private banks grant credit to farmers on bills of exchange for a period of three months with the possibility of extension, or credit on current account for a period of one year: the banks reserve the right to cancel the account at will. The farmers' departmental credit institutions require, for the short-term loans which they grant in cash, security comprising crops as well as security in the form of mortgages of every rank, additional surety bills, or a lien on shares. Short-term loans in cash granted by mortgage credit institutions on security may be guaranteed by the crops, by live or dead stock, and, if necessary, by mortgages. The popular banks and their federations require, from farmers who contract loans, liens on their property, movable and immovable. Under the Agricultural Credit Laws of 1923 and 1929, the loan may represent a third of the value of the objects pledged. The farmers' departmental credit institutions charge annual interest of from 6 to 7 per cent on short-term loans in cash; the mortgage institutions charge, for the same loans, annual interest at 8 per cent, payable on the repayment of the loan. The popular banks and their federations charge for short-term loans a maximum annual interest of 12 per cent; private banks charge from 12 to 15 per cent, plus a quarterly commission of from 1 to 3 per cent. The annual interest demanded by private persons for credit to farmers varies from 12 to 22 per cent. Cases of extortionate interest exceeding 30 per cent per annum are, however, still fairly frequent.

*Yugoslavia.* — True short-term credit is still rare in practice: loans contracted by farmers on bills of exchange at three months are, in reality, never liquidated when due, but are extended by the partial repayment of the capital borrowed; they thus lose their original character and are transformed into medium-term credits. In certain economically advanced provinces, such loans really bear the character of productive loans for the purposes of stock-breeding and crop-raising, and are repaid to the creditors when the work is completed. Short-term credit in other parts of the country is chiefly in the hands of private persons, persons with fixed incomes and traders. There are two forms of personal credit: credit granted on bills and credit based on bonds. Both public and private banks employ almost exclusively bills signed by two sureties and by the debtors. Undertakings in the form of bills are strictly guaranteed by the Code of Civil Procedure. Transactions of this kind are regarded as one of the most convenient means of obtaining personal credit. The rates of interest vary greatly from one district to another. Where the co-operative movement is organised, they run from 9 to 12 per cent, and where it is still undeveloped, up to from 14 to 20 per cent.

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I.I.A./C.E.U.E.-III/(c).-Annex.

V.

[Translation.]

PRINCIPAL RESULTS OF AN ENQUIRY AMONG BANKS BY THE INTERNATIONAL INSTITUTE OF AGRICULTURE REGARDING INTERNATIONAL AGRICULTURAL CREDIT.

As long ago as 1926, at the invitation of the International Parliamentary Conference on Commerce, the International Institute of Agriculture, which, in accordance with the Convention of 1905, has always kept itself informed of the development of agricultural credit in different countries, undertook an enquiry into the question of international agricultural credit, in view of the considerable advantages which this new form of international financial co-operation might afford to farmers in many countries. In order to carry out this new work more satisfactorily, and, in particular, to secure the opinions of the highest authorities on the subject, the International Institute of Agriculture began by appointing an *Agricultural Credit Committee* consisting of members of its International Scientific Council, and to this Committee it referred a number of questions relating to the proposed form of international co-operation. The Institute devoted special attention to the question of medium- and long-term credit, which was at that time the most urgent problem, and deferred consideration of the question of short-term credit until later. This Credit Committee, which met on September 29th and 30th and October 1st, 1926, under the chairmanship of M. Louis Tardy, Director-General of the French Caisse Nationale de Crédit Agricole, and was attended by experts from Czechoslovakia, Germany, Great Britain and Northern Ireland, Italy, the Netherlands, Poland and Switzerland, proposed *inter alia* — after an exhaustive discussion in the course of which the technical lines on which the problem was to be investigated were laid down — that the Institute should send a special questionnaire to the principal rural and agricultural credit institutions to obtain their views as to the possibility and expediency of organising an international agricultural credit service, and as to the main features of its organisation and operation.

In accordance with this proposal, the International Institute of Agriculture, having prepared the questionnaire with the help of the experts referred to above, sent it out at the end of 1927 to a large number of credit institutions, not only in European countries

(though these are primarily interested in the question), but also in other countries, the object being to obtain as much information and as many different opinions as possible.<sup>1</sup>

From the replies to the questionnaire, which relate to the position at the beginning of 1928, it is possible to draw certain conclusions which may be of help in settling some of the points of the problem. In the first place, it was recognised as expedient that an international organisation should be formed to encourage the transfer of capital from countries which possess it to those which do not, thus distributing the existing financial resources more evenly to the advantage of all parties, and it was laid down as a preliminary condition that the new institute should be based upon the central or regional agricultural credit institutions of the various countries. Consequently, where such institutions do not exist, or exist only in embryonic form, there will be a most valuable movement for their creation or reorganisation. This reform and consolidation of the existing agricultural credit organisations will be the first, and a very important, result of the action which it is proposed to undertake on international lines.

A point of fundamental importance, of course, is the question of security. The credit institutions and experts consulted unanimously agree that, in this case, the most suitable security is a mortgage; but there are cases in which an actual mortgage, though ordinarily regarded as the best of all securities, is impracticable, whether because under the mortgage laws of the country a foreigner cannot take a mortgage, or because the property to be mortgaged is in the nature of "family property" and therefore cannot be either alienated or sequestered, or because the mortgage is in effect cancelled when the mortgaged property is devastated by natural catastrophes, or because the mortgage loses in value, as when land values fall. This latter case has already arisen, in consequence of the drop in grain prices, in several Eastern European countries, where the mortgages held by rural credit institutions have fallen heavily in value. It was doubtless in view of these and other considerations that most of the credit institutions expressed themselves in favour of an accessory Government guarantee. The institutions of a few countries, including Sweden, are definitely of opinion that the Government guarantee should be the main security. A Swiss bank further observes that "the credit institutions can contract a loan at a lower rate if the interest and amortisation are guaranteed by the State". As the Czechoslovak credit institutions point out, Government guarantees would be absolutely necessary, especially for countries where the mortgage system is not so perfect as it should be, or where loans would be contracted solely by private institutions which lacked sufficient funds.

As regards the rate of interest, opinions are divided. One group of institutions takes the view that the international organisation will have to issue all its debentures at a uniform rate of interest, and that it is therefore necessary to require the national credit institutions, which will receive the money in the first place, to charge a uniform rate: but another much larger group asserts that it is impossible to enforce a uniform rate on the ground that the rate must be adjusted to special conditions in different countries — in other words, to their economic and financial position, to the rate normally charged for similar operations, to the security offered, to the risks involved in different transactions, and to the amount and urgency of the loans applied for.

The institutions then almost unanimously pronounced in favour of the formation of a committee of experts to be attached to the Governing Body of the new institution and to be consulted when any particularly difficult question arises. In the view of certain institutions (Germany), this committee should consist of members belonging specifically to the lending countries; according to others (Argentina and Japan), it should comprise, as far as possible, one representative of each country in which important operations are carried out and where there is the keenest demand for credit; according to yet others (France), it should include the directors or managers of the principal credit establishments which have relations with the new bank, together with a small number of financial, legal and rural economy experts.

With regard to the distribution of profits, it is generally agreed that a reserve fund should be formed, and it is consequently suggested that, after overhead charges and fixed interest on shares have been paid, the balance of profit should be credited in full to the reserve fund until it reaches a specified proportion of the capital of the international bank.

Another matter to which great importance was attached was the international character of the administration of the new service. Several proposals were made. It was suggested: (a) that the articles of association or the international convention should stipulate that the Governing Body must include representatives of the principal countries in which the share and debenture capital was subscribed, in a proportion to be fixed; (b) that certain of the administrators should be nominated by the two international institutions which seem to possess the greatest authority and competence in the matter — namely, the League of Nations and the International Institute of Agriculture; (c) that the shareholders in each country should appoint one person, and that these persons should form a Supervisory Board, which should in turn appoint a Governing Body, the latter to be as international as possible, and that the Governing Body should then appoint a Board of Directors consisting of several members of different nationalities; (d) that the administrative bodies should be formed of representatives of the participating countries on a paritative basis.

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<sup>1</sup> The various phases of the International Institute of Agriculture's activities in the matter of international agricultural credit are described in the volume entitled "Documentation relative au crédit agricole international" published by the Institute in 1930.

With regard to the seat of the new institution, there are two groups of proposals. Some, taking into account the official international institutions which have dealt with the problem and represent, as it were, two great economic observatories, propose Rome or Geneva; others think it essential that the place selected should be an international money market, since the most important thing is to place the debentures issued and to keep in constant touch with the money markets, and they therefore for the most part suggest London, Zurich or Amsterdam.

The enquiry carried out by the International Institute of Agriculture also includes replies to other questions, but, for the time being, we have confined ourselves to considering the proposed solutions for certain fundamental points.

The institutions which replied to the questionnaire were the following :

**GERMANY :** Deutsche Rentenbank-Kreditanstalt, Berlin; Braunschweigische Staatsbank, Brunswick; Calenberg - Göttinger - Grubenhagen - Hildesheim'scher Ritterschaftlicher Kreditverein, Hanover; Zentralverband des Deutschen Bank- und Bankiergewerbes (E. V.), Berlin; Preussische Zentral-Bodenkredit Aktiengesellschaft, Berlin; Süddeutsche Bodenkreditbank, Munich; Hessische Landesbank, Darmstadt; Zentral-Landschafts-Direktion für die Preussischen Staaten, Berlin; Bayerische Hypotheken und Wechsel-Bank, Munich; Deutscher Sparkassen- und Giroverband, Berlin; Landwirtschaftlicher Kreditverein Sachsen, Dresden; Erbländischer Ritterschaftlicher Kreditverein in Sachsen, Leipzig; Hessische Girozentrale, Darmstadt; Württ. Kreditverein, A. G., Stuttgart; Badische Girozentrale, Mannheim; Württ. Girozentrale, Stuttgart; Thüringische Staatsbank, Weimar; Schlesische Boden-Kredit-Aktien-Bank, Breslau; Landesbank der Rheinprovinz, Düsseldorf; Schlesische Generallandschaftsdirektion, Breslau.

**ALGERIA :** Fédération des caisses régionales de crédit agricole mutuel d'Algérie, Algiers.

**ARGENTINE :** Sociedad Anonima Financiera, Comercial e Industrial Ernesto Tornquist y Cia, Buenos Ayres.

**AUSTRALIA :** The State Savings Bank, Melbourne; Government Savings Bank of New South Wales, Sydney.

**AUSTRIA :** Landes-Hypothekenanstalt für Niederösterreich, Vienna; Oberösterreichische Landes-Hypothekenanstalt, Linz; Allgemeiner Verband für das landwirtschaftliche Genossenschaftswesen in Österreich, Vienna; Wiener Bankverein, Vienna.

**BULGARIA :** Central Co-operative Bank of Bulgaria, Sofia.

**DENMARK :** Kongeriget Danmarks Hypotekbank, Copenhagen; Kreditforeningernes staaende Faellesudvalg, Copenhagen, in the name of twelve associated credit institutions.

**FINLAND :** Osuuskassojen Keskuslainarahasto-Osakeyhtiö, Helsingfors; Suomen Pankki Helsingfors.

**FRANCE :** Caisse Nationale de Crédit Agricole, Paris; Fédération Nationale de la Mutualité et de la Coopération Agricoles, Paris; Caisse Régionale de Crédit Agricole Mutuel du Var, Draguignan; Caisse Régionale de la Beauce et du Perche, Chartres.

**ITALY :** Istituto Italiano di Credito Fondiario, Rome; Consorzio Nazionale per il Credito Agrario di Miglioramento, Rome; Banca Nazionale del Lavoro e della Cooperazione, Rome; Istituto di Credito Fondiario delle Venezie, Vérone; Cassa Risparmio di Verona, Verona.

**JAPAN :** Nippon Kwangyo Ginko, Ltd., Tokyo; The Chosen Shokusan-Ginko, Seoul.

**LITHUANIA :** Lietuvos Banko, Kaunas.

**NORWAY :** Norges Bank, Oslo.

**NETHERLANDS :** Coöperatieve Centrale Raiffeisen-Bank, Utrecht; Coöperatieve Centrale Boerenleenbank, Eindhoven.

**POLAND :** Bank Polski, Warsaw; Bank Gospodarstwa Krajowego, Warsaw; Państwowy Bank Rolny, Warsaw; Związek Polskich Instytucji Ziemskiego Kredytu Długoterminowego, Warsaw; Związek Polskich Organizacji Rolniczych; Polski Związek Organizacji i Kółek Rolniczych; Towarzystwo Gospodarskie Wschodniej, Malopolski; Malopolskie Towarzystwo Rolnicze; Wielkopolska Izba, Rolnicza; Pomorska Izba, Rolnicza; Śląska Izba, Rolnicza; Unja Związków Spółdzielczych w Polsce, Warsaw; Centralna Kasa Spółek Rolniczych,

Warsaw ; Związek Banków Rolniczych w Polsce ; Towarzystwo Kredytowe Ziemskie w, Warszawie, Warsaw ; Towarzystwo Kredytowe Ziemskie we Lwowie, Lwow ; Ziemstwo Kredytowe w Poznaniu, Poznan ; Wilenski Bank Zimeski, Vilna.

ROUMANIA : Centrala Bancilor Populare, Bucharest ; Prima Societate de Credit Funciar Rural, Bucharest ; Casa de Imprumut pe Caj Ministerul de Finance, Bucharest.

SWEDEN : Malmöhus Läns Centralkassa för Jordbrukskredit, Malmö ; Södra Sveriges Centralkassa för Jordbrukskredit, Kristianstad ; Mälardprovinsernas Centralkassa för Jordbrukskredit, Stockholm ; Skaraborgs Läns Centralkassa för Jordbrukskredit, Falköping.

SWITZERLAND : Sociéte anonyme Leu et Cie, Banque hypothécaire et commerciale, Zurich ; Caisse Hypothécaire du Canton de Fribourg, Fribourg ; Caisse Hypothécaire du canton de Berne, Berne.

CZECHOSLOVAKIA : Ministry of Agriculture and Ministry of Finance, Prague ; Centrokooperativ, Prague ; Hypoteční a Zemědělská Banka Moravská, Brno ; Zemská Banka, Prague ; Svaz Československých Bank, Prague ; Národní Banka Československá, Prague.

UNION OF SOVIET SOCIALIST REPUBLICS : Central Agricultural Bank, Moscow.

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[Distributed to the Members of the League,  
the Assembly and the Council.]

Official No. : **A.14.** 1931.VII.

Geneva, June 25th, 1931.

LEAGUE OF NATIONS

SPECIAL COMMITTEE

APPOINTED TO FRAME A

**DRAFT GENERAL CONVENTION TO IMPROVE  
THE MEANS OF PREVENTING WAR**

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**MINUTES OF THE SESSION**

**Held at Geneva from May 11th to 15th, 1931.**

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Series of League of Nations Publications

VII. POLITICAL  
1931. VII. 8. ✓

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- France:* His Excellency M. René MASSIGLI, Minister Plenipotentiary, Head of the French League of Nations Office.  
Captain DELEUZE.  
Lieutenant-Colonel LUCIEN.  
Captain VAUTRIN.
- Germany:* Dr. GÖPPERT.  
Dr. FROHWEIN, Privy Councillor.  
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Major REINECKE.  
Captain ERNST.
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Group-Captain J. T. BABINGTON, D.S.O.  
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- Guatemala:* His Excellency M. José MATOS, former Minister for Foreign Affairs, Member of the Court of Arbitration at The Hague.
- Italy:* His Excellency General Alberto DE MARINIS STENDARDO DI RICIGLIANO, Senator.  
Captain Fabrizio RUSPOLI.  
Captain Count Giuseppe Raineri BISCIA.  
Captain Paolo MARONI.  
Lieutenant-Colonel Emilio GIGLIOLI, General Staff.
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M. SHIBUSAWA, Secretary to Embassy.
- Netherlands:* His Excellency Dr. V. H. RUTGERS, Professor at the Free University at Amsterdam.  
Lieutenant-Colonel Baron J. J. G. VAN VOORST TOT VOORST, General Staff.
- Norway:* Dr. Christian L. LANGE, Secretary-General of the Inter-Parliamentary Union.
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General Thadée KASPRZYCKI, Substitute Delegate.  
M. Thadée GWIAZDOWSKI, Counsellor of Legation at the Polish Delegation accredited to the League of Nations, Substitute Delegate.  
Captain Alexandre PONCET DE SANDON, Technical Adviser.  
M. Ladislas KULSKI, Doctor of Law, *Redacteur* at the Ministry for Foreign Affairs, Technical Adviser.
- Spain:* M. LOPEZ OLIVÁN, Head of the Political Section at the Ministry for Foreign Affairs.  
M. Fernando RAMIREZ VILLEURRUTIA, Secretary to Embassy.
- Yugoslavia:* His Excellency Dr. CHOUMENKOVITCH, Permanent Yugoslav Delegate accredited to the League of Nations.  
General Michel NENADOVITCH, Assistant Delegate.  
M. ANDRITCH, First Secretary to Legation.
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## PLENARY COMMITTEE.

### FIRST MEETING.

*Held on Monday, May 11th, 1931, at 11 a.m.*

#### 1. Election of the Chairman.

M. SUGIMURA, Under-Secretary-General, welcomed the members of the Committee and invited them to elect their Chairman.

On the proposal of Lord CECIL (Great Britain), supported by M. LOPEZ OLIVÁN (Spain), M. POLITIS was elected Chairman.

(M. Politis took the chair.)

#### 2. Opening of the Session.

The CHAIRMAN felt that the Committee must first take stock of the situation. It had before it a very definite task. It had been set up by the Council, on the invitation of the Assembly, to frame, if possible, a general Convention designed to facilitate the work of pacification entrusted to the Council of the League of Nations by the Covenant and by Article 11 in particular.

He recalled briefly the way in which the idea of framing such a Convention had arisen. In 1928, at the suggestion of Germany, the Committee on Arbitration and Security had prepared a model treaty. This was approved by the Assembly which expressed the hope that it might be taken as a basis by States desirous of concluding a treaty of this kind. In 1929, on the proposal of Great Britain, the Assembly instructed the Committee on Arbitration and Security to examine the possibility of transforming this model treaty into a general convention. In 1930, the Committee undertook the examination of the question and reached the conclusion that the transformation thus proposed raised a certain number of important and very delicate problems. For this reason, the preliminary draft contained as regards the essential points, two alternative texts embodying the two main currents of opinion revealed during the discussion.

In September 1930, the Third Committee of the Assembly had studied this draft and had also had to consider amendments submitted by the German and British delegations. It succeeded in reconciling various points of view, but found it impossible to reach an agreement of the draft as a whole. The Third Committee therefore incorporated in its report, so to speak, certain fixed points, with a view to arriving subsequently at an agreement. The Assembly decided that it would be expedient to continue the study of the question : hence the setting up the Special Committee.

The Committee now had before it three elements for study : The preliminary draft of the Committee on Arbitration and Security (Annex 1), the conclusions of the Third Committee (Annex 2) and the observations of Governments (Annex 3), which could, if necessary, be supplemented by the proposals of certain delegations.

It was essential to define the problem and to establish the data available. One question called for consideration which, though logically first in order, would, in reality, be settled at the conclusion of the Committee's work — namely, whether the general Convention would serve a really useful purpose. The Third Committee had declared that the general Convention would be useful "in principle", which meant that, in view of various difficulties, it would only be possible to determine, after examination, whether the Convention represented an advance on the present situation — that was to say, whether it would prove really useful.

The present situation was as follows. Article 11 of the Covenant gave the Council of the League of Nations wide powers, with a view to the maintenance of peace, in the case of any war or threat of war. It might take certain conservatory measures, but it could only take them by a unanimous vote of its members, and subject to the agreement of the parties to the dispute. This system had hitherto proved effective in practice and offered the advantage, from the standpoint of the League's prestige, that there was never any risk of the Council being disobeyed. It possessed the drawback, however, that it depended on the goodwill of the parties. Hence, it was sufficient for one party only to be in disagreement, as regards the measures for maintaining peace adopted by the Council, for the whole system would be stultified.

It was this drawback that the German delegation had desired to remedy by its suggestion, the suggestion which had led to the Committee's present deliberations. The remedy proposed was a previous undertaking by the States to comply with the unanimous decision of the Council, the agreement of the parties not being necessary. Such an undertaking would be effective if it were final and not limited by any reservation ; otherwise, it was difficult to see what purpose it could serve. But even so, the Committee would have to consider whether, from a psychological standpoint, it would not be an improvement on the present situation, in that it would confer a legally binding character on the Council's decision.

Only when the Committee had concluded its work, therefore, would it be possible to decide whether the general Convention represented an advance on the present situation.

The data relating to the problem before the Committee might be defined as follows : The preliminary draft provided for two kinds of conservatory measures — military and non-military.

It did not appear likely that the non-military measures would give rise to difficulties, and agreement had apparently been reached in the Third Committee. The parties would undertake to accept and apply the conservatory measures of a non-military nature relating to the substance of the dispute which the Council, acting in accordance with the powers conferred on it by the Covenant of the League of Nations, might recommend with a view to preventing the aggravation of the dispute. The Third Committee had simply proposed an addition, to the effect that the Council should fix the duration of those conservatory measures, such period being prolonged, should circumstances render this necessary.

Agreement had not been reached on the military measures ; two main currents of opinion had been revealed and still had to be taken into consideration.

(1) Proposal A was that in the cases mentioned in Article 11 of the Covenant — that was to say, in the case of any war or threat of war and without prejudice to the application of Article 16 of the Covenant — the parties should undertake to comply with measures which might affect all their forces without distinction — land, naval and air forces. Further, if on the frontier concerned there was no demilitarised zone, the parties would comply with any other measures prescribed by the Council to prevent contact between the land or air forces, provided that this did not involve the withdrawal of those forces further back than the exterior limits of the defence organisations of any kind existing on the frontier at the time.

Proposal A was supplemented by provisions relating to, (a) supervision over the execution of conservatory measures of a military character, and (b) sanctions in the case of persistent violation of those measures, including the opening or resumption of hostilities.

¶ With reference to supervision, should one of the parties consider this necessary, it might inform the Council that it was postponing the total or partial execution of the prescribed measures until the arrival of the Commission of Control appointed by the Council in application of regulations still to be established. Those regulations would come into force at the same time as the Convention.

As regards sanctions, all the contracting Powers would have to comply with the recommendations that the Council might make to them in the matter, in order to put an end to the violation of the conservatory measures of a military character, when such violation had been noted by the Commission of Control and persisted despite the latter's injunctions. Furthermore, should one of the parties concerned be guilty of a deliberate and persistent violation of the conservatory measures of a military nature and open or resume hostilities, without the Council's Commissioners finding the other party guilty of a similar violation, Article 16 of the Covenant would automatically come into play as regards the Powers bound by the Convention.

(2) Proposal B limited the adoption of military measures to the case of a threat of war when there had been invasion or threatened invasion of the territory of another State or of a demilitarised zone. The Council's recommendation to withdraw the forces to the frontier would then be obligatory.

In order to bridge the differences between texts A and B, the German and British delegations had proposed in the Third Committee that the Council might also have power to recommend the withdrawal of the forces on each side behind a line fixed by it. A reservation would then be admitted similar to that attaching to Proposal A — that was to say, neither party would be required to abandon " forts or fortlets which, in normal times, are permanently held by large detachments " (German proposal), or " the essential works of defence " (British proposal).

The Council could, moreover, make any other recommendation of a military nature which it thought expedient and any party which, for reasons of national security, could not accept such recommendations would have to notify immediately the grounds for its refusal.

As regards supervision, Proposal B provided merely for supervision on the spot by a Commission of Control appointed by the Council, if the latter decided to send one, and did not allow the parties to postpone the execution of such measures until the Commissioners' arrival. It said nothing, on the other hand, about sanctions. The proceedings of the Third Committee showed, however, that it believed that the proposed Convention would facilitate the application of Article 16 of the Covenant.

It was clear, from a comparison of the two proposals, on what points the Committee would have to concentrate and endeavour to secure agreement. They were six, as follows :

(1) Scope of application of the Convention. — Should it apply to cases of war and threats of war or merely to the latter ? The advantage of the latter course would be that the problem of sanctions could be more easily settled. On the other hand, in Article 11 of the Covenant, the notions of war and threat of war were associated. Could they be separated without giving rise to further difficulties ?

(2) Scope of application of the conservatory measures of a military nature. — Would these be applied to land forces only or to land, naval and air forces ?

In the Third Committee, M. van Eysinga, the Netherlands delegate, had suggested a compromise — to prohibit naval forces from entering the coastal waters of the other party and air forces from flying over its territory. But would it be possible to avoid, in that part of the proposal relating to naval forces, the difficulty which would arise from a reference to the idea of the territorial sea ? The proceedings of the last Conference for the Codification of International Law showed that the differences of opinion concerning the problem of the limits of the territorial sea were great and irreconcilable.

(3) The question of the reservations attaching to acceptance of the Convention. — Both the proposals provided for eventual reservations. It might be asked whether such reservations would



not tend to stultify the Convention, since the Council, owing to the particular circumstance under which it would have to act and the urgency of the situation, would usually be unable to undertake the complicated task of delimiting boundaries which would take into account all the defensive elements which each party considered essential. Two remedies might be possible : (a) That a State, when signing or ratifying the Convention, might indicate the limits of the frontier zones which it would agree to demilitarise, provisionally and on a basis of reciprocity, if a dispute between it and a neighbouring State were brought before the Council; or (b) neighbouring States might conclude a special agreement defining the boundaries of such demilitarised zones.

(4) Supervision. — Would supervision be carried out by the Council in every case or only whenever the Council might think it advisable ?

(5) Right to postpone the execution of measures until the arrival of the Commissioners appointed by the Council. — If this principle were accepted, the question would have to be studied whether it could be carried into effect in all circumstances and no matter what the measures prescribed. This question was worthy of study, for, if the right to postpone execution could be applied to a mere recommendation to withdraw troops to the frontier and to cease fire, it would be a retrograde step as compared with the present practice established for the application of Article 11, paragraph 1, of the Covenant.

(6) Sanctions. — Should the Committee merely adopt the conclusion of the Third Committee that "the question of the methods of applying Article 16 would remain intact, and, that, on the other hand, the proposed general Convention would result in facilitating such application" or should it go further ?

Those were the chief points that the Committee would have to decide. They were questions which would have to be studied one by one in all their various aspects. If an agreed solution could be found for each, a Convention could be drawn up in which would figure Article 4 of the preliminary draft — the real novelty of the document, as it provided for the execution of measures unanimously recommended by the Council even though not accepted by the parties. Alternatively, it would be necessary to decide whether it would not be better to drop Article 4 and try to draw up the Convention on a different basis. Finally, should it appear that, even with such modification, the Convention would have no practical value, it would be the Committee's duty to tell the Council frankly that the task contemplated was an impossible one and that the system laid down in Article 11 of the Covenant seemed to meet the needs of the moment.

Before embarking on a detailed study of the above questions, the Chairman thought that a general discussion would be useful.

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## SECOND MEETING.

*Held on Tuesday, May 12th, 1931, at 10.30 a.m.*

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*Chairman: M. POLITIS.*

The CHAIRMAN announced that, as the majority of the members of the Committee did not consider it necessary to hold a general discussion, he proposed to submit for immediate consideration the six questions which he had brought to the Committee's notice in the course of his statement the previous day.

### 3. Scope of application of the Convention.

#### (a) MEASURES OF A NON-MILITARY NATURE.

The CHAIRMAN did not think this question was likely to cause any difficulty. The Third Committee had agreed in principle on the text of Article 1 of the Convention. A proposal had however, been made that the Council should fix the duration of the conservatory measures and that it should have power to extend their duration, should circumstances make this necessary.

*The Committee decided to supplement Article 1 of the preliminary draft by the words: "The Council shall fix the period of duration of these conservatory measures. It may extend this period should circumstances render it necessary."*

#### (b) MEASURES OF A MILITARY NATURE.

The CHAIRMAN observed that the first question to be settled was whether the council could take such measures in either of the two cases — that was to say, in the case of a threat of war or war itself, or simply in the case of a threat of war.

Lord CECIL stated that he would have some difficulty in accepting the formula "war or threat of war", as this would constitute a considerable extension of the draft Convention. Once warlike operations had begun it might be extremely difficult for the parties to withdraw their forces. On the other, if there had merely been a threat of war, it was much

easier to restore peace. He was accordingly in favour of the proposal to provide for the possibility of conservatory measures to be taken by the Council only in the case of a threat of war. In the case of war, Article 16 of the Covenant would operate automatically.

M. SOKAL reminded the Committee that, during previous discussions, the Polish delegation had expressed the view that the Convention should be confined to threats of war. The Convention was indeed designed for the prevention of war. When war had broken out Article 16 of the Covenant, and not the Convention, would come into play. Further, the Pact of Paris had been signed by all the States represented on the Committee and it would be illogical now to frame a Convention in which war was regarded as a probability.

M. MASSIGLI agreed, after the previous observations, that, in order to avoid difficulty, it would be desirable explicitly to restrict the terms of the Convention to cover only the case of a threat of war.

*The Committee agreed to restrict the scope of the Convention to the case of a threat of war considering that the existing provisions of the Covenant would be sufficient in the case of war.*

#### 4. Scope of application of Measures of a Military Nature.

The CHAIRMAN pointed out that the problem was to determine whether these military measures should apply to land forces only or to all the forces concerned — land, sea, and air forces.

Lord CECIL stated that he had examined the question most carefully, as certain members of the Committee attached considerable importance to it, at all events in principle. The difficulty was how to apply exactly the same treatment to land, sea, and air forces. He personally would be prepared to accept a formula providing for such equality of treatment. In the case of a threat of invasion by naval forces, for example, he would agree to a clause providing for the withdrawal of those forces, on an analogy with the provision relating to the withdrawal of land forces. He pointed out in this connection that any attempt, as proposed in Scheme A, to regulate the movements of naval forces in advance would be extremely difficult, as might have disastrous results from a naval standpoint. It would be sufficient, in his opinion, to provide that, in such a case, the forces in question should withdraw, so as to render any collision between the opposing forces impossible or at all events difficult. Further, he would advocate, whenever possible, that the three terms — land, sea and air forces — should be employed conjointly in the Convention.

His acceptance of this principle would, however, be conditional on the modification of the clause providing for the institution of a Commission of Control. He wished it to be specifically stated that all that the Council could do was to send representatives to ensure that the measures ordered by it were carried out, but the British delegation could not, under any consideration, agree to a general itinerant inspection of naval and military bases by the Council's representatives.

M. MASSIGLI thanked Lord Cecil for endeavouring to meet the French delegation's views. He quite agreed with Lord Cecil that it would be useless for the Commission of Control to inspect naval and military bases, except in so far as the strict application of measures ordered by the Council was involved.

Dr. GÖPPERT regarded Lord Cecil's suggestion, which M. Massigli had also accepted, as constituting great progress. He thought it very important that there should be no question of fixing in advance the limits for the withdrawal of troops and that it should be left to the Council to decide according to the requirements of each particular case. It was necessary to trust to the Council's discretion and to be guided by that same principle also when determining the rules to be applied to land and air forces.

He reminded the Committee that the German delegation's proposal had provided for the addition, after Article 2, of a new article as follows :

“ If, in the case mentioned in the foregoing article, the Council asks the High Contracting Parties to instruct their armed forces not to engage in or provoke hostilities, the High Contracting Parties pledge themselves to take for this purpose all the necessary steps suitable in the circumstances. ”

The CHAIRMAN apologised for having omitted to mention this part of the German proposal in his statement on the previous day.

He noted further progress. The Committee had agreed, in principle, to the extension to land, air and naval forces alike of the field of application of conservatory measures of a military nature taken by the Council.

He pointed out, however, that the Committee was simply concerned, for the time being, with decisions of principle and that those decisions would be embodied in a text by a Drafting Committee. He requested the representatives of the delegations chiefly concerned (Lord Cecil, M. Massigli and Dr. Göppert) to agree on a text which might be submitted to the Committee at a later meeting.

A further difficulty had to be considered in connection with the second question. Provision had been made for the more general hypothesis of “ other measures ”, ordered by the Council to prevent contact between the land or air forces of the parties. Was the Committee in favour of

giving the Council the right to order any other measures of a military nature that it might think fit, the parties undertaking to comply with those measures in so far as they do not consider such measures incompatible with their national security, or did it prefer to go into details and define the measures in question ?

General DE MARINIS thought it essential to refrain from introducing into the Convention so vague an undertaking. The contracting parties ought to know exactly the scope of their obligations.

After extending the Council's powers, it had been proposed to consider the case of one of the contracting parties being unable to comply with the Council's recommendations, and it had been provided that that contracting party might refrain from doing so, should it regard the measures in question as inconsistent with the requirements of its national security, provided that it gave the reasons for its refusal. General de Marinis regarded these proposals as far too vague and referred to his statement made during the fourth session of the Committee on Arbitration and Security as follows :

“ When the Committee confirmed the right of each contracting party to invoke reasons of national security for not complying with the Council's recommendations, it might perhaps reasonably fear that there was a risk of indirectly encouraging the parties to resist the Council's recommendations.

“ On the other hand, the party which saw that the Council's recommendations had not been applied by its adversary for reasons of national security would naturally be tempted to contest those reasons, so that the difference might become still more serious and more bitter.

“ In conclusion, little would be gained from the point of view of legal engagements and a good deal would be lost from the point of view of the moral obligation.”

General de Marinis thought it preferable not to introduce into the Convention provisions which could not be clearly defined, and preferred to trust to the discretion of the Council to take such measures as circumstances might necessitate, in application of Article 11 of the Covenant. He stressed this point as it had been clearly stipulated that the Convention was not intended in anyway to lessen the Council's powers under the Covenant.

Lord CECIL pointed out that the aim of those responsible for drafting the Convention was not to weaken the powers given to the Council by Article 11 of the Covenant. If, however, the obligations devolving on the parties to the Convention, as a result of steps taken by the Council, were to be specified, he feared that it might be concluded that any other measures the Council might take would not be equally binding on the parties concerned. The purpose of the Convention was to strengthen the moral obligation signatory States to comply with the Council's recommendations. As things stood, the obligations arising out of Article 11 could be evaded by a single Member of the Council vetoing the latter's decision. He feared that, if the Committee went into too much detail, those Members of the League, if such there were, who had bellicose intentions would have an excuse for disregarding the Council's recommendations. The object of the Committee should be to ensure that States only objected to a decision of the Council when they had strong reasons for doing so — for example, if the measures decreed by the Council were incompatible with their national security.

M. SOKAL reminded the Committee that his delegation had submitted a proposal regarding military measures (Annex 4). He explained that if the Convention were to be confined to cases of a threat of war, it followed that there was no need to provide for the withdrawal of armed forces which had penetrated into the territory of the other party, since such invasion was now held to be an act of war. The Polish proposal, therefore, said nothing about the steps to be taken when a country was invaded by hostile forces, as it was thought that, in such a case, Article 16 of the Covenant, and not the Convention, would come into play. The withdrawal of forces referred to in the Convention would thus be confined to cases of invasion of a demilitarised zone and in such cases, only if the invasion were accidental.

M. Sokal would draw the attention of the Committee to the first paragraph of the Polish proposal reading : “ If in the event of a threat of war, events should occur which might constitute a violation of an international obligation, the Council shall call upon the High Contracting Parties to put an end to the said violations and the High Contracting Parties undertake to comply therewith without delay ”.

He agreed with Lord Cecil that the purpose of the Convention was to reinforce the powers conferred on the Council by Article 11 of the Covenant and to ensure that one State could not, by its vote, nullify the action of the Council. He considered, however, that the contracting parties should know what they were undertaking and therefore suggested that, as was done in paragraph 1 of the Polish proposal, the cases to which the obligations would apply should be clearly defined. It was important that the Council's action, in the event of violation of an international obligation, should not be hampered by the vote of a contracting party. He was very anxious, therefore, that the Committee should study carefully paragraph 1 of the Polish proposal which he thought was wide enough to cover all cases.

General DE MARINIS felt that the Polish proposal diminished the number of cases which would be deemed to constitute a threat of war, and asked what would be done in the other cases. He agreed with M. Sokal that Article 11 of the Covenant would then apply.

He also endorsed the Polish view as set out in paragraph (a) of its proposal, that forces should not be withdrawn further back than the defence organisations of any kind. This paragraph was a virtual reproduction of the last paragraph of Proposal A for Article 2 of the preliminary draft Convention. At a time of international tension, the Council would hardly, he thought, compel a country to abandon its defences and so deprive it of a feeling of security.

The CHAIRMAN thought that General de Marinis objection referred rather to the third question which the Committee would discuss concerning reservations.

In his view, the Committee was now agreed that the Council could take other measures to prevent contact between the opposing forces. These measures might be of a general or a less general nature according as Proposal A or Proposal B were followed. The point was whether the Committee wished to adopt a general form of words or to specify in detail the other measures which the Council might take.

M. MASSIGLI observed that the Committee was agreed in principle to increase the powers conferred upon the Council under Article 11 of the Covenant. The Committee also agreed that the parties to the dispute should be placed by the Council under the obligation to withdraw any forces which had invaded enemy territory or a demilitarised zone, and that this obligation should not depend upon the previous consent of the parties. In acting in this way, the Council, moreover, would only be carrying out an imperative duty. In order to execute the mission entrusted to it under the terms of the Covenant, it must immediately order the withdrawal of troops, and this order must be carried out by the contracting parties without delay. Proposal B did not seem to lay sufficient stress on this aspect of the question.

As regards the other measures which the Council could prescribe without the prior consent of the parties, the French delegation felt that they should be clearly defined and that it should be definitely stated that the defence organisations of the parties concerned would be respected. The Polish proposal went further ; it expressly mentioned the obligation to respect important means of communication, vital centres, etc. The Committee had to decide whether it would be useful to cover all cases. Ought the Committee to adopt a general formula or merely stipulate that the consent of the parties involved was necessary for the application of certain measures? Personally, he was not in favour of the adoption of a general formula, but he wondered, on the other hand, whether a detailed and complete enumeration was possible or desirable.

Dr. GÖPPERT said the German delegation was one of those which had supported the British proposal in the Committee on Arbitration and Security, but he personally was prepared to change his view and agree to the enumeration of definite cases. When an invasion occurred, it was not sufficient to cause the troops which had crossed the frontier to withdraw. The two opposing forces must be separated, by the establishment between them of a neutral zone. This measure, however, should not be applied only in the case of an invasion. It would be equally desirable in every case of a threat of war, for each threat of war implied a threat of invasion, and it was for this reason that Dr. Göppert was in favour of any provision providing for the withdrawal of forces.

The point was to what extent the Council could order such measures to be taken without the consent of the parties concerned, and he thought that the question should be left open until the close of the discussion.

Lord CECIL would not press for the retention of the second paragraph of Proposal B (Article 2), as the Committee was clearly not in favour of it.

The purpose of the Convention was to enable the Council to prevent a collision between the opposing forces when war was threatened. Merely to provide for the withdrawal of a force which had invaded enemy territory would be a poor result — the important thing was that the armed forces on both sides should retire for a certain distance behind the frontier. The order for withdrawal should be a precautionary one and the Council should have power to insist on the withdrawal of forces which were on the point of invading enemy territory. That was the suggestion made in the British amendment to the German amendments to Proposal B (Article 2), as given in the records of the fifth meeting of the Third Committee of the eleventh Assembly. The British amendment read as follows :

“ If, in the event of a threat of war, the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, recommends the withdrawal of the forces of one of the High Contracting Parties which has invaded or has threatened to invade the territory of another State, or one of the zones demilitarised in virtue of international treaties, the High Contracting Parties undertake to comply therewith without delay. In any such recommendation, the Council may propose the withdrawal of the forces on each side behind the line to be fixed by the Council. Such line must not, however, be so fixed as to deprive the State concerned of the use of essential works of defence.”

As the measures decreed by the Council should take account of the country's essential defences, as the Polish proposal stipulated, that body could be depended upon to take only such measures as the situation demanded.

M. MASSIGLI thought Lord Cecil's observations were an excellent statement of the position. Could the Council, in the case of a simple threat of war, impose measures, as a precaution, even before the opposing parties had opened hostilities and, if so, by what means was the line (or lines)

of demarcation, which were to be respected by both Parties, to be fixed? The British and Polish proposals required, in principle, that the parties concerned should agree on such a line or lines.

The CHAIRMAN noted that the Committee had agreed to reject the general formula and to define the measures the Council might take. If the territory of the other party or a demilitarised zone were invaded, it would be the Council's duty to order the withdrawal of the invading troops to the frontier and the duty of the parties concerned to obey.

If invasion were merely threatened, or if it were followed by withdrawal, the Council could recommend a further withdrawal of the opposing forces for a certain distance behind the frontier to a line agreed to by the party concerned which would take account of its essential defence works.

The point now was whether there were other measures which the Council should take and which the parties would agree to execute.

The German proposal provided that the Council would recommend the parties "not to engage in or provoke hostilities". That might be taken for granted, at any rate in the case of countries which had acceded to the Pact of Paris, but he would like to know whether the Committee thought it advisable to indicate the Council's powers in this respect and to define the corresponding obligation on the parties to comply with the measures decreed.

Dr. GÖPPERT wished to stress the stipulation — by no means negligible — in the German proposal that the parties involved were obliged to instruct the officers commanding their armed forces not to engage in or provoke hostilities.

The CHAIRMAN pointed out that the powers conferred on the Council by Article 11 of the Covenant remained unaffected, and the Council could, with the agreement of the parties, take any steps necessary.

M. MASSIGLI would like to have a definition of the terms "engage in" and "provoke" in the German proposal. Obviously, if the Council discharged the duties implicit in Article 11 of the Covenant, it would have to invite the parties to see that no hostile acts were committed.

Dr. GÖPPERT explained that the purpose of the orders given should be to avoid anything which might provoke acts of hostility — for example, a coastal demonstration by a naval force.

M. MASSIGLI felt that the explanation given by Dr. Göppert left the position extremely vague. Such a wording would leave open to doubt the good faith of a country which was determined to respect its engagements. In M. Massigli's view, it would be very risky to insert such provisions in the Convention, since the contracting parties must know exactly where they stood. It must not be possible to claim that defensive measures instituted within the country might provoke acts of hostility.

Dr. GÖPPERT pointed out that equally general phrases occurred in existing conventions — in particular, the provision which stipulated that nothing should be done "which might aggravate a dispute". The German delegation's idea was merely that the contracting parties should undertake to impress on their respective commanders the necessity for the greatest caution. In view of the objections raised, he would agree to omit the word "provoke" but would like the words "engage in" to be retained.

Lord CECIL agreed that it was important to instruct commanders of armed forces to do nothing which might provoke an outbreak of hostilities, but pointed out that, whenever the Council had intervened hitherto, such orders had always been given immediately. He would, however, make no comment on the proposal before he saw how it was worded.

M. MASSIGLI said that, subject to final drafting, he had no objection to the German proposal thus restricted.

The CHAIRMAN noted that it was now agreed that commanders of armed forces should be instructed not to commit acts of hostility, and enquired whether it was proposed to include, as a fourth heading, the case covered by paragraph 1 of the Polish proposal (Annex 4).

M. RUTGERS asked whether paragraph 1 of the Polish proposal was a general formula applicable in all cases, including those already formulated, or whether it applied to a fresh case.

M. SOKAL explained that it was a general formula. Though his delegation was in favour of enumeration, it feared that certain important facts might be overlooked and had therefore suggested the wider, but quite definite, expression: "violation of an international obligation".

Lord CECIL was not quite happy as regards the Polish proposal and would have preferred if M. Sokal could have cited a concrete instance. He could not see how violation

of an international obligation could change a threat of war into war. Usually there were definite incidents, such as movements of troops on the frontier, etc.

M. SOKAL explained that the Disarmament Convention, when drawn up, would involve an obligation. Failure on the part of a State to comply with that obligation might be considered a threat of war, and the Convention which was now being discussed should be subordinated to the Disarmament Convention. There were, moreover, other international obligations violation of which might constitute a threat of war.

DR. GÖPPERT observed that, as it stood, the Polish proposal referred to incidents which "might" constitute a violation of an international obligation. A simple possibility, could certainly not give rise to the consequences for which provision was made in the proposal.

He did not think there was any close connection between the present Convention and the Disarmament Convention and he personally was not in favour of establishing any such connection. Instead of including the Polish proposal as a fourth point, Dr. Göppert thought it would be sufficient, and preferable, to insert in the Convention a general provision stressing the fact that it did not in any way affect the right conferred on the Council by the very act itself to make any recommendation which it thought appropriate to prevent acts of hostility, no matter what the cause of the dispute.

M. MASSIGLI noted that the Polish proposal dealt with a particularly important point. In order to prevent war, the contracting parties would assume fresh obligations. It seemed logical to stipulate that, in the case of a threat of war, the first duty of the parties was to comply with the international obligations, by which they were already bound.

LORD CECIL pointed out that violation of an international obligation was generally covered by the instrument creating that obligation; he expressed some anxiety at the idea of creating any new machinery which might lead to confusion in the application of international treaties and possibly involve a conflict of competence and authority. If, for example, a special body were set up to supervise the execution of the Disarmament Convention, would the Council also be allowed to intervene for the purpose of supervising its execution?

M. SOKAL made it clear that the Polish delegation had had no intention whatsoever of restricting the competence of any special body appointed to supervise the application of an international convention. He was prepared accordingly to supplement the Polish proposal by the words "except when another authority is responsible for supervising the execution of such obligations". In many cases, the Council already possessed the powers which would be conferred on it under the Polish proposal. This would very probably apply also as regards the execution of the Disarmament Convention, but there might be cases in which the organ responsible for supervising the execution of a Convention would have completed its task and handed over its powers to the Council. It seemed preferable not to deprive the Council of the additional authority which it was proposed to confer on it under the terms of the last paragraph of Proposal B.

The CHAIRMAN pointed out that the Polish proposal did not affect the powers of the Council. It might, however, be going too far to give the latter an imperative mandate. It would be well, in his opinion, to give the Council the right to decide whether the violation of international obligations constituted a threat of war and, if such were the case, to invite the contracting parties to fulfil their obligations.

He noted further, that the Committee desired in principle that the first paragraph of the Polish proposal should figure as a fourth point in the list of cases in which the Council would have to intervene.

It was understood that each delegation reserved its opinion pending the final examination of the texts.

##### 5. Appointment of a Rapporteur.

On the proposal of the CHAIRMAN, M. LANGE was appointed Rapporteur.

##### 6. Appointment of the Drafting Committee.

The Committee decided to appoint a Drafting Committee to establish a text to cover the questions upon which it had already agreed. The Drafting Committee would be composed as follows: Viscount CECIL, M. GÖPPERT, M. MASSIGLI, General DE MARINIS, M. SOKAL, M. LANGE (Rapporteur) and the CHAIRMAN.

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THIRD MEETING.

*Held on Tuesday, May 12th, 1931, at 3.30 p.m.*

Chairman: M. POLITIS.

7. Questions of Reservations to Article 2.

The CHAIRMAN suggested that it might be possible to do away with the reservations to proposals A and B submitted under Article 2. He read the amendments submitted by the German and British delegates respectively. The German proposal was as follows :

“ If, in the event of a threat of war, the Council, acting in virtue of the provision of Article 11 of the Covenant of the League of Nations, recommends :

“ (a) That forces having penetrated into the territory of another State or into a zone demilitarised in virtue of international treaties should be withdrawn ;

“ (b) That the armed forces of each of the two parties should be kept at a specified distance from the frontiers of the other party, sufficient to obviate incidents likely to aggravate the position :

“ The High Contracting Parties undertake to conform without delay to these recommendations, *provided that, in the case mentioned in sub-paragraph (b), this does not involve the abandonment of forts or fortlets which, in normal times, are permanently held by large detachments.* ”

The British amendment was framed in more general terms as follows :

“ . . . In any such recommendation, the Council may propose the withdrawal of the forces on each side behind the line to be fixed by the Council. *Such line must not, however, be so fixed as to deprive the State concerned of the use of essential works of defence.* ”

M. RUTGERS noted that, according to these proposals, the point would in one case be decided by the parties themselves and, in the other, would be left to the Council to decide. He felt that the two points of view should be reconciled and suggested that the decision should be taken by the Council after first hearing the opinion of military experts of the parties concerned.

Dr. GÖPPERT said that the German delegation quite agreed with M. Rutgers. The Council must decide in the last resort. The German proposal must not be interpreted as implying that the parties concerned would have the right to decide. Once the Council had given its decision, the parties would be obliged to comply with it, without any possibility of evasion.

He realised that it would be necessary to find some very wide formula, lest the parties should be tempted to fortify points which they would never have dreamed of fortifying previous to the Convention. Such a formula might embody, for example, the principle of reciprocity, the two parties remaining in principle, at equal distances from the frontier ; secondly, the formula should take into account, as far as possible, the requirements of national defence. The main issue however, in a Convention of this nature was, not the interests of national defence, or what a State which was unduly anxious might regard as such, but the interests of peace. Peace might depend on the execution of a measure designed to separate the opposing forces and to prevent incidents likely to lead to a conflagration. It was necessary to have confidence in the Council, which would make a just appreciation of the situation. Its action, however, must not be nullified by the sole fact that one State claimed as an essential element for its defence, for example, any construction that it might just have set up close to the frontier.

M. RUTGERS wished to define his attitude in order to prevent any misunderstanding. He agreed with Dr. Göppert that the interests of national defence should come second compared with the maintenance of peace. He thought, however, that if the Committee decided, as was suggested in the German proposal, to admit a reservation covering all forts and fortlets having a permanent garrison, thus excluding districts in which there were none, the advantage would be on the side of fortification. The Council's decision might be based on the suggestions to be found in paragraph (a) of the Polish proposal relating to Article 2 (annex 4) :

“ In the cases referred to in paragraph 1 of the present Article, the Council may :

“ (a) If, on the frontiers concerned, there are no zones demilitarised in virtue of international treaties, fix in the territory of each of them limits beyond which they undertake to withdraw and maintain their armed forces, provided this does *not* involve the withdrawal of the forces further back than :

“ The exterior lines of the defence organisations of any kind ;

“ The natural lines of defence ;

“ The means of communications and vital centres existing on the frontiers of the High Contracting Parties concerned at the time when the Council of the League of Nations takes the measures. ”

Dr. GÖPPERT agreed with M. Rutgers that the German proposal might be framed on somewhat wider lines.

Lord CECIL felt that the question would arise when the Council attempted to fix a line further back than the existing neutral zone, so as to create, as it were, an *ad hoc* demilitarised zone. He doubted whether this would ever be feasible, considering the particular mentality which prevails in any country when war is imminent. Would it be reasonable to give the Council the right to order the evacuation of points that a country regarded as essential for purposes of defence, just when the safety of that country was jeopardised by a threat of invasion? It was quite out of the question to suggest that the Council or any other organ should have power to decree without warning that part of the essential defences of the country should be deemed a neutral zone.

He thought the best solution would be for each country to delimit a neutral zone in time of peace. In case of invasion the Council would then be able to order the withdrawal of troops behind that zone; the order would not, however, apply to essential defence works, which would thus form the subject of a general exception. As to the scope of the Council's action in deciding the line behind which forces were to be withdrawn, he thought that the British amendment was sufficiently explicit, providing as it did that "such line must not, however, be so fixed as to deprive the State concerned of the use of essential works of defence".

As regards the principle of reciprocity raised by the German delegation, this point might be mentioned, but in quite general terms in the form of an implicit recognition of the principle.

M. MASSIGLI, while agreeing with Dr. Göppert and M. Rutgers that a selfish preoccupation with questions of national defence should not take precedence over the higher interests of peace, thought it preferable not to act more quickly as regards preventive measures than sanctions.

M. Massigli added that in order not to lose sight of the object in view, which was essentially to prevent any contact between armed forces it would be preferable not to introduce into the discussion theoretical considerations. Thus, reciprocity, balance, etc., should be relegated to a secondary position. The principle of neutralisation, as suggested by the British delegation, might be a desirable solution, but neutralised zones would have to be created not only on all land frontiers but at all international danger points.

Dr. GÖPPERT, in explanation of his views, stated that it was necessary, not merely to prevent the collision of armed forces, but also to avoid frontier incidents where armed forces only existed on one side, the frontier between the two States coinciding with the frontier of a demilitarised zone.

General DE MARINIS agreed that means should be found for making the application of the Convention as simple as possible. It had always been desired to lighten the Council's responsibility by not placing it in a too embarrassing situation. He believed it would be a step forward if, while agreeing that the parties were bound to obey the Council's decisions, the Committee adopted the principle that the zone of demarcation to be laid down by the Council should be fixed by it in agreement with the parties concerned.

Lord CECIL wondered how the system suggested by General de Marinis would work out in practice. Take a concrete instance of threats of war: troops were drawn up in readiness on both sides of a frontier; the Council in special session ordered the troops to withdraw to a line, say 10 or 20 kilometres, behind the frontier, and then the difficulties began. The Council could not fix such a line without the consent of the parties; yet, if it were to wait for both parties to agree, the Council would probably be faced with insuperable difficulties.

M. SOKAL, like Lord Cecil, wondered whether it was not a very serious military step to abandon 10 or 20 kilometres of frontier territory. Agreement between the parties, such as General de Marinis had suggested, would only be achieved, if at all, after considerable delay, whereas, in practice, an urgent solution was imperative.

Realising both the value of General de Marinis' proposal and the necessity for prompt action, M. Sokal would suggest, as a compromise, that in principle the Council should fix the lines of withdrawal in agreement with both parties, but, if *prompt* agreement were impossible, the Council should decide the question of delimitation on the basis of the Polish amendment.

M. MASSIGLI, in order to elucidate the idea suggested by General de Marinis, took the case of a dispute between countries A and B in connection with which the Council decided to create a neutral zone. In fixing the line of withdrawal for troops on the territory of State A, should the Council come to an agreement with States A and B or with State A only, and *vice versa* in the case of the line of withdrawal for troops on the territory of State B? In the former case, it was certain that it would be difficult, if not impossible to reach an agreement; in the second case it would be simpler.

General DE MARINIS considered that the zone should be fixed in full agreement between the Council and both the countries A and B; such agreement would not be impossible. It should

be remembered that the Council possessed not merely coercive powers but also the power of moral persuasion:

Lord CECIL shared M. Massigli's apprehensions that agreement between the two Governments concerned and the Council might be very hard to achieve. There was no question of bad faith on the part of the countries, but the Committee need only realise the state of people's minds on the eve of a war. Quite apart from the general excitement, there was the responsibility borne by the representatives of the parties involved who were urgently summoned before the Council. They would refuse to fix a line of withdrawal before telegraphing to their Governments and consulting experts, and would take no decision without formal instructions from their respective Governments. This procedure would result in a considerable loss of time, whereas the decision to be taken was a matter of hours. It should be the Council's prerogative to fix the line of demarcation *immediately*. Hence the British delegation's proposal that the Council should have the power to fix such a line excluding from the neutral zone the essential works of defence.

M. RUTGERS felt that the Council would exercise real moral authority over the parties if, in the last resort, it had the power to fix the line of demarcation itself without having to consult the parties. In such a case, it might be expected that the two parties would prefer to come to an agreement direct rather than see the Council decide the matter over their heads.

General DE MARINIS endorsed the Polish amendment. It remained to be seen what should be done as regards naval and air forces.

The CHAIRMAN noted that the Committee was agreed that, in the event of invasion or threat of invasion, the Council should order the withdrawal of the troops. Views differed on the question of the line of withdrawal. Could it be fixed by the Council alone or was the agreement of the parties required? If no agreement were reached, could the Council, as the Polish proposal implied, ignore the fact and fix a line of withdrawal itself, and, in that case, was it the Council of the party concerned which would take a decision as regards the exterior lines of the defence organisations of any kind, the natural lines of defence, the means of communication and vital centres, to have exceptional treatment?

It was to be hoped that, in most cases, the Council would have sufficient influence over the parties to ensure their refraining from obstruction without serious reasons. Considerations of national defence, however, might compel a party to disobey the Council's decision and a still graver dispute would be added to that already in existence. The main object of the Committee should be to avoid forcing a State into opposition, and he thought therefore that the Convention should provide that there were certain bounds beyond which the Council's decision could not go if the result would be to compromise seriously the security of the party concerned.

To solve the difficulty he would submit a text which the Drafting Committee might use as a basis for an article which would meet with general agreement. The following were the four main points :

- (1) The right of the Council to decide upon, and the obligation on the parties to agree to, the withdrawal of troops ;
- (2) The fixing of the line of withdrawal by the Council in agreement with both parties ;
- (3) The parties to undertake to co-operate with the Council to this end so that a solution might be found at the first meeting for of the Council convened for this purpose ;
- (4) Failing agreement by the parties, the Council to have the right, with the consent of the party concerned, to fix the line of withdrawal, provided the latter did not involve the abandoning of any position or any works essential to the security of that party.

Lord CECIL supported the Chairman's proposals, but asked whether paragraph 4 might not be made even more comprehensive. He suggested :

“ If agreement is not reached within the time limits laid down by the Council, the latter shall itself fix the lines of withdrawal, every consideration being given to the wishes of the party concerned. ”

The Council should, in the final resort, be responsible for fixing the line of withdrawal, each party being free to decide what was necessary for its security.

M. SOKAL accepted the Chairman's proposals subject to a discussion of the final text. He would, however, make two suggestions to the Drafting Committee: The much used word “ invasion ” should be omitted from the text. The Committee was dealing with cases of a threat of war and not with war in the strict sense of the term, and invasion implied war. The case of a single patrol crossing the frontier should not be considered a case of invasion. Secondly, there were other ways of avoiding collisions, apart from demilitarised zones, and the wording adopted by the Drafting Committee should be correspondingly wide.

M. RUTGERS trusted that, in drafting the final text, due account would be taken, not merely of clearly defined military positions, but also of important natural strategic features, such as mountains, waterways, canals, etc.

M. MASSIGLI was prepared to agree to the principles laid down by the Chairman, but thought it important that the text should not contain any subjective ideas, which might lead to disagreement later. He would quote, for example, the term "essential works". It was difficult to decide when works ceased to be essential. The task of the Council, therefore, would be made easier if objective criteria only were employed.

The CHAIRMAN said that all the observations made would be considered by the Drafting Committee. There was still one more question to be settled: Proposal A agreed to the withdrawal of troops if "on the frontier concerned there is no zone demilitarised in virtue of international treaties".

Dr. GÖPPERT explained that the question of the application of the system of neutral zones would not arise except in the event of there being a permanent demilitarised zone on one side only. In that case, the troops on the side where there was no demilitarised zone would have to be withdrawn. He quoted in this connection point 3 of the conclusions of the Third Committee to the Assembly (Annex 2):

"With regard to Article 2 of the preliminary draft, the Committee considered that this article might embody provisions to ensure the integral application of Article 11 of the Covenant with a view to the prevention of war, by making binding on all contracting parties the Council's recommendations for the avoidance of direct contact between the opposing forces, and for the avoidance of incidents at a time when relations between the States concerned in any dispute have become so strained that, in the opinion of the Council, there is a threat of war."

He urged that, in order to avoid incidents of any kind that might result in an outbreak of hostilities, it was essential in every case to apply this system of the withdrawal of troops.

M. SOKAL reminded the Committee that the Polish proposal supplied a solution of the question raised by M. Göppert. If a distinction were established between bilateral and unilateral demilitarised zones, it would not be possible to settle the question. The Committee should consider only those cases where no demilitarised zone existed at the frontier.

M. MASSIGLI pointed out that the demilitarised zones created under an international obligation were designed to meet a given situation, to establish a state of equilibrium between two countries. In time of peace, they were of purely theoretical importance and their utility appeared only when a dispute became threatening. It would be paradoxical to claim that they should be modified at the very moment when they ought to fulfil their purpose. Supposing, for example, that a demilitarised zone existed in State X, and not in the contiguous State Z, then State X, contrary to its undertakings, need only order its troops to advance into its demilitarised zone, thus creating a threat of conflict, for a demilitarised zone to be automatically created in the territory of State Z. That was perhaps a simple way of settling the question if the only object were to prevent contact between the armed forces by the maintenance of a "buffer zone". The system, however, was simple only in appearance. It offered the serious drawback of destroying the *status quo*, and a State could not be required to subscribe beforehand to a clause which would have the effect of depriving it of one of the guarantees which had been recognised as essential for its security and to place that State at a disadvantage just at the time when its security was in danger. The French delegation was unable, therefore, to accept this solution.

Lord CECIL agreed with M. Massigli that this was a difficult point. The principle of demilitarised zones was a most important one, in that the existence of such zones made it possible, to some extent, to prevent the sudden invasion of one country by another, or, at all events, to delay that operation. The withdrawal of armed forces from the demilitarised zones should be absolutely compulsory — there was no possible doubt on that point. The question was whether, over and above this obligation, the Convention should confer on the Council the right, in certain cases, to order the withdrawal of troops beyond the limit of the demilitarised zone, at an equal distance on either side. This question, in Lord Cecil's view, must depend on the Council.

There already existed certain zones created in the past, which might have appeared adequate at the time, but which now seemed so narrow that it was impossible that the Council should not have the right, if necessary, to order the withdrawal of troops beyond the limits of those zones. He pointed out that the Council, under the terms of Article 11 of the Covenant, was authorised to take any action that might be deemed wise and effectual to safeguard the peace of nations. The Convention must not be allowed to lessen the powers of the Council, being intended, on the contrary, to increase them.

M. MASSIGLI pointed out that the French delegation had never had any intention of weakening the powers of the Council or of curtailing its prerogatives under Article 11. It saw no necessity, however, to confer on the Council, by means of a Convention additional powers to those it possessed under Article 11, when those latter powers were sufficient to attain their object.

There were not many demilitarised zones, not more than five or six, including the narrow zones which had already been mentioned. If the extent of the latter did not exceed, for example, twenty kilometres, it might be desirable to confer special powers on the Council, but M. Massigli did not see any use in conferring such powers on it in the case of wider zones. In reality, reference had been made to special cases, and it was not necessary to bring them under the provisions of a general Convention. Further, M. Massigli wished to recall that certain delegations desired to

establish a connection between the Convention to strengthen the Means of preventing war and the General Disarmament Convention. He wished to say that it would be a serious error to present, as a prelude to the Disarmament Conference, a Convention which would weaken the value of the guarantees of security possessed by certain States. M. Massigli accordingly urged his colleagues to think carefully before deciding on such a course.

Dr. GÖPPERT felt that the French delegation might be exaggerating the importance of the provision in question. M. Massigli had said that, if State X, in whose territory a demilitarised zone existed, invaded that zone, State Z would "automatically" have to withdraw its troops from the frontier at which they had hitherto been stationed. Dr. Göppert declared that there had never been any question of any *automatic* consequence of this nature; it would be for the Council to decide what measures should be taken, and it was doubtful whether, in such a case, the Council would decide that State Z should withdraw its troops. Everything would depend on circumstances.

Dr. Göppert proceeded to consider the opposite case — that was to say, the invasion by the troops of State Z of the demilitarised zone of State X. It was in this case, above all, that the presence of troops at the frontier would constitute a danger. The nervous tension and legitimate anxiety prevailing among the population might easily give rise to incidents of such a nature as to aggravate the situation and increase the already existing danger of war. The width of the zone was not a factor which could play any part in this matter. It therefore seemed necessary to apply, in those cases where there was a demilitarised zone of which the frontier coincided with that of the States parties to the dispute, the same rule which the Committee contemplated in other cases.

The CHAIRMAN, summing up the debate, noted that, while the Convention did not refer specifically to demilitarised zones, the parties would be required by implication to comply with decisions of the Council, which would be applicable in every case, irrespective of whether demilitarised zones did or did not exist. If, however, the Convention embodied an exception relating to such zones, the obligation would no longer apply in every case.

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#### FOURTH MEETING.

*Held on Wednesday, May 13th, 1931, at 10 a.m.*

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*Chairman: M. POLITIS.*

#### 8. Supervision of the Execution of Conservatory Measures of a Military Character.

The CHAIRMAN pointed out that the conception of supervision differed in the two proposals before the Committee. The latter would have to decide whether the Council was to order supervision in every case or only occasionally, according to the circumstances.

Lord CECIL thought that there was no great difference between the proposals, since there could be no question of creating an obligation for the Council, the latter being responsible for deciding whether supervision was or was not necessary. The Convention could hardly do more than embody some indication regarding the matter. It was fairly certain that the Council would always order Commissioners to proceed to the spot unless an agreement was already in sight.

Lord Cecil reminded the Committee that he was anxious that the duties and mission of the Council's Commissioners should be clearly defined. Their duties should, in his view, be strictly limited to verifying the execution of measures recommended by the Council. He proposed to submit suggestions later but for the time being would simply lay stress on the principle that the Council should have the right to send Commissioners to the spot, though it should not be bound to do so.

The CHAIRMAN, in order to avoid any misunderstanding, pointed out that the Council would itself decide as regards the expediency of sending Commissioners to the spot. When assuming the obligations embodied in the Convention, however, certain countries might feel that, from their point of view, the sending of Commissioners by the Council would constitute a guarantee. Intervention by the Council was contemplated in three cases: First, to insist on the withdrawal of the invading forces as far as the frontier, a case which presented no difficulty as the Council would be informed immediately if the measures which it had ordered were not executed; secondly, to insist on orders being given to the troops involved to refrain from acts of hostility — here again there was no difficulty; in the third case, however, in connection with the withdrawal of national forces behind the line fixed by the Council, a difficulty did arise, as the Party concerned might insist on supervision being instituted on either side of the frontier.

General DE MARINIS thought it very important to decide whether the Council was always to send Commissioners to the spot or whether it could simply do so should it think fit. The Italian delegation felt that Commissioners should be sent only in certain cases when the Council might deem this expedient. Further, before expressing a definite opinion, General de Marinis wished to know the exact meaning of the words, "The High Contracting Parties undertake to

lend themselves to any action of the Council to this effect", in Article 3, proposal B. He agreed with Lord Cecil that the Commissioners' duties should be clearly defined.

M. MASSIGLI thought it essential, when it was desired to avoid frontier incidents, to ensure the presence on the spot of Commissioners of the Council, who could see and report exactly what was happening. If, however, it were recognised that the Council could send Commissioners to the spot without the consent of the parties concerned, would it be admitted that one of those parties could insist on Commissioners being sent and make its acceptance of the measures recommended by the Council conditional on their presence? It had been objected that, in such a case, the execution of the measures in question might be delayed, and it had been pointed out that the question was no longer of importance, since it had been decided to fix the measures in agreement with the parties concerned. It must be remembered, however, that each of the parties would be anxious to know whether the other party had also obeyed the Council's orders, and its compliance with the measures ordered by the Council would be the readier if it knew that, on the other side of the frontier, the Council was ensuring, by the presence of its Commissioners, the execution of the same measures. There was no objection, however, to stipulating that, if one of the parties concerned thought that the measures recommended by the Council called for supervision on the spot, that party should say so immediately.

Lord CECIL agreed with M. Massigli. The presence of impartial representatives of the Council in the place where hostilities were liable to occur constituted one of the soundest precautions for preventing any such outbreak of hostilities. He also agreed that the parties concerned should have the right to ask the Council to ensure, through its Commissioners, the execution of measures which it had recommended. There was one difficulty, however, in this connection: could the parties postpone the execution of measures ordered by the Council until the Commissioners sent by the latter had arrived in the country? If so, serious delay might be involved. In his view, the mere notice that Commissioners were being sent should be sufficient for putting into effect the Council's recommendation.

Dr. GÖPPERT pointed out that there were other means of guarding against any danger, should one of the parties hesitate to carry out the measures laid down by the Council without making sure that the corresponding measures had been carried out by the opposing party. The opposing forces could get into touch immediately by means of emissaries, agree upon the hour at which the retreat of the troops would begin and establish the order to be followed by each of the two parties for carrying out simultaneously and by stages, at the various points along the front, the movements which had been prescribed. As soon as one party failed to comply exactly with the plan thus prepared, the other would be at liberty on its side immediately to arrest the movement, so that there would be no reason to fear that the State which was ready to carry out loyally the recommendation of the Council would be placed in a position of inferiority *vis-à-vis* the State which was guilty of disloyalty. To wait for the arrival of the League Commissioners would probably aggravate the danger of hostilities. It was essential, then, that the measures ordered by the Council should be put into effect immediately.

M. MASSIGLI thanked Lord Cecil and M. Göppert for their suggestions. He felt that the importance of any delays, should not be exaggerated, since in Europe, at all events, great distances could be covered by air in a day.

The CHAIRMAN noted that the Committee was agreed on the following three points: (1) The Council should have the right in every case to decide to send Commissioners to the spot, even without the consent of the parties concerned; (2) In certain cases, each of the parties might ask for Commissioners to be sent, provided that its request was submitted before the Council had decided what measures should be taken; (3) The Council should settle the question of the execution of the conservatory measures which it might order in relation to the arrival of its Commissioners on the spot.

He stated, in reply to M. Göppert, that the withdrawal of invading troops would not be contingent on the arrival of Commissioners on the spot.

Dr. GÖPPERT pointed out, further, that in case of invasion there should be no delay in the execution of measures ordered by the Council.

General DE MARINIS and Lord CECIL having again urged the importance of defining the Commissioners' duties, the CHAIRMAN asked whether the Committee thought it desirable to establish rules beforehand which would come into force at the same time as the Convention.

M. MASSIGLI thought that as the Convention according to certain declarations which had been made, could only come into force after a Disarmament Convention had been drawn up, it would be preferable to prepare immediately the regulations governing the duties of Commissioners, seeing that the Committee was not pressed for time.

Lord CECIL stated that he proposed to submit definite suggestions in the matter.

M. SOKAL thought that it would be expedient to consult the League's technical Committees, so as to avoid placing the Council in a difficult position, as the result of settling all the technical details in advance.



## 9. Sanctions.

The CHAIRMAN pointed out that this question was important, as one of the proposals was in favour of the application of sanctions, while the other was not, though the statements made at the previous meeting had done something towards solving the difficulty. The point to be settled was whether the Convention should provide for sanctions or whether the matter was adequately dealt with by the general statement of the Third Committee that the Convention would facilitate the application of Article 16 of the Covenant.

M. SOKAL referred to Article 3*bis* of the Polish proposal, as follows :

“ If any violation of the measures defined in Article 2 is noted by the Council and continues in spite of its injunctions, the Council shall advise upon the means of all kinds necessary to ensure the execution of the present Convention. The High Contracting Parties shall in such case lend their assistance to the Council.”

He felt that the formula adopted by the Third Committee was inadequate, as cases might arise in which, despite the Council's injunctions, the party concerned failed to execute the measures recommended, without its attitude being sufficiently serious, however, to involve the application of Article 16.

Lord CECIL felt that he would have some difficulty in accepting the Polish proposal, since, as M. Sokal himself had pointed out, it was important not to introduce into the Convention any vague formula in regard to obligations. If the Council decided that certain measures — warlike measures, for example — were necessary, all the States Members of the League of Nations must be prepared to co-operate. Article 11 of the Covenant, on the other hand, provided for all the other measures that the Council could take for the maintenance of peace. There seemed no point in adding to those measures.

M. SOKAL agreed that Lord Cecil's criticism of the Polish proposal was quite justified. He felt, however, that that text might serve as a basis for discussion. It was with intention that the text had been left somewhat vague, though the expression to be found in Article 10 of the Covenant which was, as it were, traditional had been used : “ The Council shall advise upon the means by which this obligation shall be fulfilled.”

The draft Convention before the Committee laid down a certain number of new obligations for the contracting parties. It seemed only right to provide also for corresponding sanctions. Any Convention embodied, as a rule, some provision concerning the machinery for its application, and the present Convention would be incomplete if it did not also stipulate the measures to be taken should one of the parties fail to comply with its undertakings.

As M. Sokal has already pointed out, cases might occur which, though not sufficiently serious to justify the application of Article 16 of the Covenant, were still sufficiently serious to create a state of unrest that might result in war. In such a case, it should be possible for the Council to intervene, and this was not provided for under the somewhat wide formula adopted by the Third Committee. The document drawn up by the Committee of the Council on March 15th, 1927 (document C.169.M.119.1927.IX), provided that :

“ (f) Should any of the parties to the dispute disregard the advice or recommendations of the Council, the Council will consider the measures to be taken. It may manifest its formal disapproval. It may also recommend to its Members to withdraw all their diplomatic representatives accredited to the State in question or certain categories of them. It may also recommend other measures of a more serious character.”

Article 16 of the Covenant applied to serious Cases ; Article 3*bis* of the Polish proposal provided for less serious cases, in which action by the Council would also be necessary.

M. MASSIGLI reminded the Committee that the idea expressed by M. Sokal, which formed the basis of the French proposal (Article 3*bis*, proposal A), was regarded by certain delegations as of fundamental importance. Any addition to the obligations under the Covenant must provide at the same time for sanctions, as a corollary. Since the first discussion of the draft, in the Committee on Arbitration and Security, one new factor had arisen. The present Committee had decided to restrict the scope of the Convention to the threat of war. It followed that Article 3*bis*, proposal A, no longer met the situation. The Polish proposal, which repeated the original paragraph 1 of proposal A (Article 3*bis*), remedied this inconvenience. M. Massigli explained that the first point was that of passive violations of the Council's recommendations, violations which did not constitute acts of violence. A Power agreeing to submit a dispute to the Council might, in practice, be dilatory in applying the latter's decisions. To say that, in such a case, it would be sufficient to apply the Covenant as it stood was tantamount to admitting that the Convention in itself was useless ; since its purpose was to define for the parties the provisions of the Covenant ; it would then be sufficient to rely in all cases on the Covenant. It was important to make it clear that a Power which refused to carry out measures recommended by the Council would be aggravating its case. Not to provide for sanctions would be to destroy the balance that should exist in the Convention.

The CHAIRMAN noted that the Committee was agreed that should one of the contracting parties fail to comply with the Council's recommendations after having undertaken to execute them, it would be at fault, and that should war ensue, it would be presumed the aggressor. That was what the Third Committee had meant by saying that the Convention would facilitate the application of Article 16. In the case of passive resistance as regards the execution of the Council's

recommendations, an attitude which might lead to international unrest, M. Sokal thought that the Council should advise upon all the means for the execution of the Convention and that all the parties concerned should co-operate in such action. In this hypothesis, however, Article 15 of the Covenant, seemed to have been forgotten. This article makes binding upon all the Members of the League decisions taken by the Council in the case of a dispute likely to lead to a rupture. The point then, was, to determine whether the Polish proposal supplemented Article 15.

M. RUTGERS questioned whether there was any point in embodying in the Convention a provision such as that formulated by the Third Committee, to the effect that the Convention would facilitate the application of Article 16.

Article 15 of the Covenant, moreover, had been revised by a special Committee appointed to bring the Covenant of the League of Nations into harmony with the Pact of Paris, and, in the preliminary draft of paragraph 4 of Article 13 framed by that Committee, would be found a clause very similar to the Polish proposal. The text was as follows :

“ The Members of the League agree that they will carry out in full good faith any award or decision that may be rendered and that they will not take any action against any Member of the League which complies therewith.

“ In the event of any failure to carry out such award or decision, the Council shall propose what measures of all kinds should be taken to give effect thereto ; the votes of the representatives of the parties shall not be counted.”

The expression “ measures of all kinds ” was a very pregnant one. The Polish proposal, however, went still further and provided that the States should, in such a case, lend their assistance with a view to the application of the Council's decision. This went further than the text adopted by the Committee for the amendment of the Covenant, in the case of a refusal on the part of a Member State to comply with the Council's injunctions, and M. Rutgers felt that to adopt so drastic a provision might jeopardise the Convention.

M. SOKAL pointed out that the importance of cases of passive violation of the Council's recommendations had been clearly shown. It was only right that the Convention should make provision for meeting such cases by means of sanctions. Article 16 of the Covenant would apply only if the passive violation resulted in war, but passive violation might continue for a long time without there being any war, and the Polish proposal was intended to meet just such a situation.

The Chairman had directed attention to Article 15 of the Covenant, but the procedure laid down in that article was very slow. In the case with which the Committee was dealing, what was wanted was prompt action, supervision and sanctions ; otherwise in obtaining the preventive effect which the Committee had in view might not be obtained. Article 3bis of the Polish proposal would supply the want.

Article 3bis had been compared by M. Rutgers with the new text of paragraph 4 of Article 13 of the Covenant, which, however, had not yet been adopted. There was one essential difference between them, to be found in the sentence : “ The High Contracting parties shall in such case lend their assistance to the Council ”. M. Sokal would be prepared to withdraw this clause, as he felt that the idea was already embodied in the previous sentence : “ The Council shall advise upon the means of all kinds necessary to ensure the execution of the present Convention.”

M. Sokal stressed the importance, in principle, of providing for suitable sanctions in the case of the passive violation of measures recommended by the Council, in order to avoid recourse to the slow procedure laid down in the other articles of the Covenant.

Lord CECIL felt that M. Sokal's statement did much to reconcile the two proposals. The last sentence of Article 3bis of the Polish proposal, however, was just what was causing him some anxiety. He had no objection to the first sentence of that article, though he pointed out that it would always be for the Council to see that its recommendations were duly executed.

He did not quite see how passive resistance could exclude the idea of using force, as M. Sokal had suggested. How could a State be made to withdraw its troops except by force ? To add the sentence found in Article 3bis of the Polish proposal seemed to weaken the real sanctions provided for in the fifth paragraph of the Third Committee's resolution. The true sanction consisted in the fact that if the armed forces of State A advanced into the territory of State B and refused to withdraw, then, should war ensue, State A would find itself in an extremely difficult situation *vis-à-vis* world opinion. He thought that the difficulty would be solved by the addition of a sentence framed on the following lines :

“ Should war break out as a consequence of the violation by a Power of a decision of the Council, such violation shall be regarded as *prima facie* evidence that the said Power has resorted to war within the meaning of Article 16 of the Covenant.”

If the first sentence of Article 3bis of the Polish proposal were merely reproduced, it would seem as if that was the only measure to be taken by the Council in such a case. The presumption of aggression, however, attaching to a State which refused to comply with the Council's recommendations, constituted a very heavy sanction.

M. SOKAL thanked Lord Cecil for supporting the Polish proposal. He agreed that he was perfectly right in stressing the moral aspect of the Third Committee's decision directing the attention of the Parties to the consequences of even a passive violation of the measures taken by the Council in the event of war breaking out. As regards Lord Cecil's objection that such a violation could only be dealt with by force, he pointed out that the history of the League contained various examples proving that cases of passive resistance to the application of decisions of the Council could be settled without recourse to force.

He was prepared to support any text stipulating, in principle, that the Convention should not pass over in silence cases of passive resistance which might not result in war.

M. RUTGERS pointed out that the sentence in Article 3*bis* of the Polish proposal, providing that "the High Contracting Parties shall in such case lend their assistance to the Council", was anything but a mere formality. Paragraph 4 of the amended text of Article 13 of the Covenant provided that :

"In the event of any failure to carry out such award or decision, the Council shall propose what measures of all kinds should be taken to give effect thereto. . . ."

The report of the Committee appointed to bring the Covenant of the League of Nations into harmony with the Pact of Paris also stated in connection with Article 13 that :

"The Committee . . . considered that, except for serious reasons, it was preferable not to alter the actual words of the Covenant, the use of the expression "the Council shall propose" not being any obstacle to the steps which the Council might be called upon to take.

"So far as regards the extent of which the measures prescribed would be obligatory, the term employed appeared to be sufficiently explicit. Furthermore, the Council would here be addressing itself to the States which were not parties to the dispute. It could not issue orders to these States. It must confine itself to indicating the measures of coercion which would be most effective for the purpose of inducing the recalcitrant State to comply with the award or decision. The latter State does, indeed, become the object of an actual order ; but this order derives its authority, not from the Council's decision, but from the award or judicial decision."

In such a case, the Council would not address itself to the parties ; it would not give any order and the States Members of the League of Nations would not be under an obligation to comply with the Council's decision. This obligation applied only to the parties concerned.

He would have no objection to maintaining the first sentence of Article 3*bis* of the Polish proposal, if it were clearly understood that this involved no definite obligation for States to lend their assistance to the Council in such a case.

Further, he agreed with M. Sokal and Lord Cecil that the violation by a State of measures ordered by the Council constituted an indication which might be decisive as regards the application of Article 16 of the Covenant.

M. MASSIGLI thanked Lord Cecil for his proposal. He wondered whether the Committee could not adopt the principle embodied in the Polish proposal, which was in conformity with the principles laid down by the Committee of the Council for the application of Article 11 of the Covenant. The report of March 27th, 1927 (document C.169.M.119.1927.IX) contained definite rules for the application of that article, and equally definite rules might be useful in the present case. Take as an example, the case of a powerful State which attacked a weaker State, invaded its territory and refused to comply with the Council's injunctions to withdraw its troops, while raising a discussion on the interpretation of the orders it had received. A provision to cover what M. Sokal had in mind would not therefore be useless.

Lord CECIL agreed with M. Massigli.

M. SOKAL, in reply to a question of the Chairman, stated that it would be under the principle laid down in the Convention and not under the principle laid down in Article 11 of the Covenant that the Council would advise upon the means of all kinds for ensuring the execution of the Convention — that was, to say, without the agreement of the parties concerned.

General DE MARINIS noted that any proposal providing for the application to the parties, without their previous agreement, of measures recommended by the Council constituted a modification of Article 11 and hence an indirect modification of the Covenant. To modify the Covenant indirectly by means of general Conventions seemed to him an undesirable method and one which he could not support. He wished then to ask definitely : Was the intention to modify the League Covenant? If so, the task must be entrusted to a special Committee.

Lord CECIL pointed out that two kinds of provisions existed in the Covenant : those laid down in Article 11 and those laid down in paragraph 4 of Article 13. Article 11 provided for a decision of the Council being taken in agreement with the parties concerned. That article was of a general character, and referred to any situation that might involve general unrest likely to disturb world peace. The framers of the Covenant had found it difficult not to allow the parties concerned to vote in such a case. There was a tendency, however, in various articles of the Covenant not to allow the parties to a dispute to vote in the Council. In Article 13, paragraph 4, the parties were not included in the vote, and this applied not only to the Council's decision but also to its consequences. The same applied to cases referred to an arbitral tribunal. In reality, the principle at the basis of any action by the Council was that the parties concerned should not vote on the primary decision or on the consequences ensuing from it.

The CHAIRMAN pointed out that the Committee had been convened to determine whether, as the German delegation had proposed three years before, it might be possible to supplement the present system governing the relations between the Council and the parties concerned. Under the present system, the Council had full powers, provided that the parties agreed to comply with any decision it might take. The Committee's task was to determine whether, in certain given circumstances, the Council could take a decision under Article 11 of the Covenant, without the

agreement of the parties being necessary. Parties which had not voted on the decision would not, of course, vote when the consequences of that decision were being settled. General de Marinis was calling in question the actual principle of the Convention.

M. SOKAL agreed with General de Marinis that the principle of unanimity in decisions of the Council was one of the fundamental principles of the Covenant. He pointed out, however, that the starting point of any deliberations was that the contracting parties should undertake to accept certain decisions taken by the Council. The last part of the Polish proposal was thus a logical consequence of the first part, embodying the undertaking. Having stipulated the undertaking, it was necessary also to provide for the sanction attendant upon its violation. The fundamental view of General de Marinis was that of the Polish delegation.

General DE MARINIS suggested that the Committee might be exaggerating the considerations to be taken into account in the Convention, and wondered whether it was not wrong in imagining that the Council might contemplate measures — for example, military measures — without the consent of the parties to the dispute. If those parties agreed to the measures recommended by the Council, why imagine that they would fail to execute them? It must state clearly whether the Committee was or was not aiming at the amendment of the Covenant. If so, General de Marinis would be obliged to dissent. The Covenant itself seemed sufficient to ensure, in case of need, the execution of decisions taken in virtue of its provisions, and the sanctions laid down in the Convention would be superfluous.

General de Marinis was prepared to compromise and to stipulate that, should one of the parties concerned adopt a contrary or passive attitude towards a decision of the Council, the latter might agree with that party as to the measures to be taken to put an end to such an attitude. There had perhaps been some exaggeration as regards the rapidity of the measures to be taken. If it were agreed that the measures should be taken in agreement with the parties concerned, nothing further was required. Should the Commissioners of the Council state that the Council's decisions had not been fully executed, the Council would repeat its recommendations to the parties and the latter would comply with them. He agreed that the Committee had been convened to frame a Convention modifying the Covenant to some extent, but he felt that such modification should not go further than could be helped.

The CHAIRMAN thought that General de Marinis's doubts would disappear when he saw the Drafting Committee's final text.

He noted that the Committee was in favour of inserting in the Convention a text following very closely the first sentence of Article 3*bis* of the Polish proposal and also bringing out, as Lord Cecil had proposed, the fact that a presumption of aggression would attach to a State which refused to comply with the Council's recommendations.

Dr. GÖPPERT felt that the expression "presumption of aggression" and the expression "*prima facie* evidence" in Lord Cecil's text were somewhat rigid. He would prefer the expression "should constitute a factor in establishing aggression".

## 10. Formal Clauses.

The CHAIRMAN stated that the formal clauses left blank in the preliminary draft would be filled in by the Drafting Committee, which would also specify the time-limit for denunciation. He did not think that denunciation should have immediate effect, since it would be to the parties' interest to release themselves just when the Convention ought to apply.

## 11. Examination of Proposals by Governments not represented on the Committee.

### A. LETTER FROM THE AUSTRIAN GOVERNMENT.

The CHAIRMAN read the letter from the Austrian Government (Annex 3) and stressed the suggestion contained in it that "the creation of demilitarised zones would be one of the most effective means of preventing the outbreak of hostilities".

If that were a recommendation it might be mentioned in the report, but if it were a proposal he did not think the Committee was qualified to take a decision.

Lord CECIL, while agreeing that the Committee had no power to insert in the Convention a proposal for the creation of demilitarised zones, believed it could express the view that the creation of such zones along land frontiers would be an effective way of preventing the outbreak of hostilities.

M. MASSIGLI did not wish to commit himself before seeing a definite proposal, but considered that the Committee's recommendation should be so worded that it could apply not only to land but also to maritime frontiers.

### B. COMMUNICATION FROM THE FINNISH GOVERNMENT.

The CHAIRMAN thought there was a legal objection to the Finnish Government's proposals (Annex 3): the Convention could not stipulate that the provisions adopted by the contracting

States should apply to third parties, particularly to States non-members of the League of Nations. The case, moreover, was already covered by Article 17 of the Covenant.

M. SOKAL pointed out that the Convention now under discussion would be open to all States, so that it should apply to a dispute either between two States, Members of the League or between a Member and a non-member State. In the latter connection, therefore, the Finnish proposal called for careful examination.

He agreed that the Convention could not affect third States, but it should be made perfectly clear that it would have a general character and be open equally to States Members and non-members of the League of Nations.

#### C. COMMUNICATION FROM THE SWEDISH GOVERNMENT.

The CHAIRMAN read the Swedish Government's letter (Annex 3) and directed attention to the draft Article 4(a) proposed, reading as follows :

" The High Contracting Parties undertake to give wide publicity, in the cases referred to in Article 2 of the present Convention, to the Council's recommendations for the maintenance of peace and the settlement of the dispute, and to the statements on the dispute published by the Council.

" They further undertake to endeavour, so far as their national laws permit, to suppress all verbal or written propoganda designed to prevent a peaceful settlement of the crisis."

There were no difficulties in the first paragraph but the second might raise rather serious problems.

Lord CECIL thought that the provisions of Article 15 of the Covenant regarding publicity should apply in such cases. The Council always arranged for important decisions taken by it to be published, and it could safely be left to decide what publicity was necessary. He would advocate stating in the report that the Committee was in favour, in principle, of the publicity referred to in the Swedish proposal, but did not feel that it need be mentioned in the draft Convention.

M. LANGE remarked that the Swedish proposal implied an obligation on the parties, and not on the Council, to give public opinion in their country an opportunity of knowing exactly what the Council had decided. It was important that the general public everywhere should be as accurately informed as possible.

M. RUTGERS, while supporting the Swedish proposal, pointed out that the Council's decisions were by no means so well known as might be thought. League publications were not widely read. The undertaking called for was not so easy to secure and would sometimes be more than Governments, particularly those of countries where there was real freedom of the Press, could give. It might be sufficient if States undertook to publish the recommendations and statements which the Council itself had decided to publish.

M. SOKAL thought paragraph 2 of the proposal very important. In endeavouring by every possible means to prevent war, the importance of propoganda for creating a war spirit, which was conducted in some countries should not be underestimated. Room should be found in the Convention for the Swedish proposal.

M. MASSIGLI thought paragraph 2 of the proposal raised a rather delicate question. The principle could give rise to no objection but the proposed supervision, would necessitate introducing a censorship into countries where it did not exist. Neither would it be easy, to make sure that the steps taken in country A were also adopted in country B. Finally, the proposal touched on the domestic policy of States ; its just application presupposed the existence throughout the world of uniform legislation relating to the Press.

M. CHOUMENKOVITCH supported the Swedish proposal, so far as it was compatible with the freedom of the Press admitted by national legislation. The fact of a country A permitting, and a country B forbidding, free publication of the Council's decisions would be an indication of which side was in the wrong.

M. LANGE shared M. Massigli's doubts regarding paragraph 2 of the Swedish proposal. He would remind the Committee that the League of Nations would shortly have a powerful publicity agent in its wireless broadcasting station.

The CHAIRMAN noted that the Committee was in favour of the Swedish proposal but that the second paragraph could not be accepted owing to the differences between national Press laws and the lack of a common legislation. The Committee could draw up for the next Assembly a draft recommendation embodying the suggestions made in the Swedish communication.

The discussion showed that the Committee was agreed to insert in the Convention a text drafted on the lines of paragraph 1 of the Swedish proposal and stressing the value, for purposes of preventing war, of giving wide publicity to the Council's decisions.

Lord CECIL also felt that stress should be laid on this important question in the Committee's report. It had more than once been found that the effect of a Press campaign and of speeches made was to make it more difficult to settle international disputes. Sooner or later, the League would have to devote serious attention to the problem.

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## DRAFTING COMMITTEE.

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### FIRST MEETING (PRIVATE).

*Held on Wednesday, May 13th, 1931, at 3.45 p.m.*

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*Chairman: M. POLITIS.*

#### 1. Article 1.

The CHAIRMAN read the two paragraphs of Article 1.

*Article 1 was adopted without observation (Annex 6).*

#### 2. Article 2.

The CHAIRMAN proposed the following text for paragraph 1 of Article 2 :

“ In the event of a threat of war, the High Contracting Parties shall comply without delay with such measures as the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, may prescribe to ensure the withdrawal of the land, naval or air forces of that High Contracting Party which has entered the territory or the waters of another High Contracting Party, or a zone demilitarised in virtue of international agreements.”

Several delegates pointed out that it was illogical to have one text for land and naval as well as air forces. The Council could not order the latter to withdraw. Air forces naturally could not remain in a country after a raid but withdrew of their own accord.

M. MASSIGLI thought it important to retain the prohibition to fly over frontiers contained in the original paragraph (c) of proposal A (Annex 1). The sentence might be divided and the following words added :

“ They undertake, in the same circumstances, to comply with the measures which the Council may prescribe prohibiting the military or civil aircraft of a High Contracting Party to fly over the territory or territorial waters of another High Contracting Party or a demilitarised zone.”

Dr. GÖPPERT felt that the exceptional nature of the clause associating civil aircraft with military aircraft should be emphasised.

The CHAIRMAN proposed adding the words :

“ . . . and, where necessary, civil aircraft. ”

Lord CECIL suggested that the article should start with paragraph 2, reading :

“ The High Contracting Parties further undertake to comply with the Council's recommendations regarding the withdrawal of such forces behind certain geographical boundaries. Such boundaries shall be fixed, if possible, jointly with the parties to the dispute.”



The Committee decided to make no reference in paragraph 1 to air forces and to deal in paragraph 2 with the following three points:

- (a) Air forces ;
- (b) Civil aircraft ;
- (c) Civil aviation only to be included as an exception.

Several delegations having pointed out that the expression "geographical boundaries" was too definite, since the possible lines of withdrawal which could be accepted would frequently have no connection with natural or political frontiers, it was resolved to substitute the word "lines" for "boundaries". It was understood that the last sentence in paragraph 2 would form a new paragraph.

The CHAIRMAN suggested that, to meet the views expressed by some delegations at previous meetings, a sentence might be inserted in paragraph 1, after the words "League of Nations", reading as follows :

" . . . and without prejudice to the other powers it derives from that article."

*The following text for the first three paragraphs of Article 2 was provisionally adopted.*

"In the event of a threat of war, the High Contracting Parties shall comply without delay with such measures as the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, and without prejudice to the other powers it derives from that article, may prescribe to ensure the withdrawal of the land or naval forces of that High Contracting Party which has entered the territory or the waters of another High Contracting Party, or a zone demilitarised in virtue of international agreements.

"The High Contracting Parties further undertake to comply with the Council's recommendations regarding the lines which must not be passed by their land, naval or air forces, and, where necessary, in order to avoid incidents, by civil aircraft.

"The lines referred to in the previous paragraph shall if possible be fixed by agreement with the parties to the dispute."

Dr. GÖPPERT remarked that as the question of territorial waters was still unsettled, the expression "in the waters" in paragraph 1 should not be understood in a technical sense.

The CHAIRMAN said the point would be mentioned in the report and proceeded to read the conclusion of the article, worded as follows :

"Failing such agreement, the Council shall without delay fix the lines with the consent of the party concerned, provided always that this does not involve the withdrawal of the forces further back than :

"The exterior lines of the defence organisations ;

"The natural lines of defence ;

"The routes of communication and vital centres existing on the frontier of the High Contracting Parties concerned at the time when the Council of the League of Nations takes its decision.

"The High Contracting Parties further agree to give orders to their armed forces, if the Council so recommend, not to commit hostilities."

*The above text was provisionally adopted.*

*It was agreed to add a new paragraph reading as follows :*

"It shall, in every case, rest with the Council to determine the period within which the said lines shall be fixed under the conditions specified above."

A discussion ensued as to whether the last paragraph of the article, proposed in response to a request of the German delegation, should be inserted.

The CHAIRMAN and M. MASSIGLI thought the paragraph was superfluous and might even weaken the scope of the other paragraphs in the article.

Dr. GÖPPERT insisted on the paragraph being retained as its purpose was mainly a psychological one.

*The last paragraph of Article 2 was amended to read as follows :*

"The High Contracting Parties further agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents."

M. MASSIGLI pointed out that Article 2 as drafted now made no reference to the idea contained in paragraph (b) of proposal A (Article 2) of the preliminary draft (Annex 1). It should be mentioned that, in the case of naval forces, the line fixed by the Council should enable such forces to communicate with the various territories of the party in question.

Lord CECIL replied that, as the party concerned was assumed to have given its consent, it could always ask the Council to draw the line through points so chosen as to make such communication possible.

M. MASSIGLI remarked that the new text said nothing about "preventing contact" which was the essential purpose of the Convention. It should therefore be re-inserted, say, at the beginning of paragraph 2.

Lord CECIL concurred.

Dr. GÖPPERT suggested inserting the following phrase at the beginning of paragraph 2 :

"With a view to avoiding direct contact between the opposing forces and incidents . . ."

M. MASSIGLI said that as he had previously objected to the expression "and incidents" he could not agree to its adoption. He could not accept a clause which, while seemingly general, was really a special provision applicable only to one case. If Article 2 did not contain a reference similar to that forming the last paragraph of proposal A (Article 2) of the preliminary draft — "If, on the frontier concerned, there is no zone demilitarised", etc. — the French delegation would vote against the article and the draft as a whole.

Viscount CECIL OF CHELWOOD remarked that the question was one of principle which the Drafting Committee was not competent to settle. It must be discussed in a plenary meeting.

The CHAIRMAN also considered that the question, having already been debated at a plenary meeting, could only be reconsidered when all the members of the Committee were present. He suggested that the Drafting Committee should meanwhile carry on its work after noting that the two delegations concerned made a formal reservation on the point.

General DE MARINIS referring to the question of the line of delimitation for naval forces, asked whether the merchant marine of the party concerned could ensure its country's supplies outside such line, and whether, for instance, communications between the home country and the colonies would be guaranteed.

Lord CECIL pointed out that the article referred only to navies and not to the merchant marine.

The CHAIRMAN added that it was in this sense that paragraph (b) of proposal A (Article 2) of the preliminary draft (Annex 1) had been understood.

General DE MARINIS accepted the explanation.

M. SOKAL wondered whether, as it now stood, the Convention would be sufficiently comprehensive. He thought its scope should be widened and that, in order entirely to remove anxiety, it should cover not merely cases of the penetration of forces, but all cases of violation of obligations which constituted cases of a threat of war. That was why the Polish delegation proposed using the following wording as a preamble to Article 2 (Annex 4) :

"If, in the event of a threat of war, events should occur which might constitute a violation of an international obligation, the Council shall call upon the High Contracting Party or Parties to put an end to the said violations and the High Contracting Parties undertake to comply therewith without delay."

Dr. GÖPPERT thought the serious objection to this proposal was that it went considerably beyond the scope of the Convention.

Lord CECIL asked whether it were really advisable for the Convention to cover one or more cases of threat of war selected from a large number of others seeing that all the precautions which should be taken would be thoroughly discussed by the Disarmament Conference. The Convention to strengthen the Means of preventing War should not be a mere duplication of the General Disarmament Convention. The special question of invasion or of a threat of invasion, dealt with in the present draft, was one of the few points on which there was virtual unanimity. Furthermore, it should not be forgotten that the Third Committee's resolution only referred to measures for preventing contact or incidents. Conclusion 3 of the Third Committee's report to the Assembly (Annex 2) made that quite clear.

M. SOKAL maintained his view that the Polish proposal was fundamentally important and that to omit the passage which he had just read would deprive the Convention of its value.

The CHAIRMAN repeated the question could only be settled in plenary meeting.

3. Article 3.

The CHAIRMAN proposed the following text for Article 3 :

“ The Council shall, if it thinks fit, or if one of the parties to the dispute so requests before the Council has reached the decision referred to in Article 2, appoint Commissioners for the purpose of verifying on the spot the execution of the conservatory measures of a military character recommended by the Council under the conditions specified in the preceding article.

“ The High Contracting Parties undertake to afford these Commissioners every facility for the performance of their duties.

“ The Commissioners may not make a more extensive inspection than is necessary to enable them to carry out the duty defined in the above paragraph nor make any inspection of a military, naval or air base.”

M. MASSIGLI pointed out that it was incongruous in the French text to use the term “ *base militaire*”.

The CHAIRMAN suggested that paragraph 3 might be deleted, seeing that the expression “ on the spot ” in paragraph 1 was sufficiently clear.

Lord CECIL, supported by General DE MARINIS, insisted on paragraph 3 being retained.

After discussion, the following text *provisionally substituted for paragraph 3* :

“ The Commissioners may not make a more extensive inspection than is necessary to enable them to carry out the duty defined in paragraph 1. Nor may they make any inspections of a naval or air base, nor may they in the zone which has been ordered to be evacuated, inspect military works or establishments for any purpose other than to verify the withdrawal of the forces.”

The CHAIRMAN then raised the question of synchronising supervision and the execution of the measures.

*The following text was provisionally adopted:*

“ The Council shall, in each case, arrange for the despatch to the spot of such supervisory commissioners to coincide with the execution of the conservatory measures of a military nature which it has prescribed.”

This would form paragraph 4 of Article 3.

*Finally, the last paragraph of proposal A (Article 3) of the preliminary draft (Annex 1) was readopted unaltered, to form paragraph 5 of the new Article 3.*

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SECOND MEETING.

*Held on Thursday, May 14th, 1931, at 10 a.m.*

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Chairman: M. POLITIS.

4. Article 2 (continuation).

M. MASSIGLI announced the formula agreed upon between the German and French delegations with reference to the question left open at the previous meeting. He recalled that it had, above all, been desired to insure that, in this case, the application of measures prescribed by the Council should not be automatic. The text now proposed showed clearly that the Council must explicitly recognise the necessity for the measure. The second paragraph of Article 2 would be worded as follows :

“ Further, should the Council deem it necessary to fix lines which must not be passed by their land, naval or air forces and, where necessary, in order to avoid incidents, by civil aircraft, the High Contracting Parties undertake to comply with the Council's recommendations in this matter.”

M. Massigli asked further, that the report should contain a paragraph to the following effect :

“ The French delegation explained that the ‘ necessity ’ referred to in the second paragraph of Article 2 related to the impossibility of contacts between the armed forces and that the existence of a zone demilitarised in virtue of international agreements was sufficient to answer to this necessity. The German delegation stated that it was ‘ necessary ’ to avoid, not only contact between the armed forces but also ‘ incidents ’ of all kinds on the frontiers of the contracting parties concerned.”

Dr. GÖPPERT stated that the German delegation was in agreement with the proposal just read by M. Massigli.

M. SOKAL stated that the reservation which he had put forward at the previous meeting had been discussed between the German and Polish delegations, but without result.

General DE MARINIS proposed specifying "vital" lines of communication (land, sea, etc.), in the fourth paragraph of Article 2, which would read as follows :

" . . . provided always that this does not involve the withdrawal of the forces further back than the vital means of communication (land, sea, etc.). "

He pointed out, further, that it would be impossible to fix a line beyond which vessels should not pass, as the parties might possess vessels scattered all over the world.

M. MASSIGLI urged that to allow naval forces perfect liberty of movement would make it necessary to reconsider the whole Convention. He would agree to it being stated that the means of communication, whether on land or sea, which must be safeguarded were those which were deemed indispensable.

Lord CECIL reminded the Drafting Committee that all these measures would have to be taken in agreement with the parties concerned. That was their essential feature. He would prefer accordingly that the fourth paragraph of Article 2 should be fairly elastic, avoiding any enumeration, which must necessarily be incomplete and might thus constitute a danger from the standpoint of the application of the Convention.

It was provided that, on land, the line behind which forces were to withdraw should take into account all kinds of organs essential for defence — land lines of communication, vital centres, natural lines of defence, etc. From a naval standpoint, provision was only made for the maintenance of lines of communication : this was manifestly inadequate. To require a fleet to remain behind a given line would reduce very considerably the means of defence of the party. Accordingly, he would propose the following formula :

" . . . provided always that the line fixed takes into account the positions, works or lines of communication essential to the security of the parties concerned."

This would avoid adopting nomenclature which might omit the very thing found to be essential when it came to the application of the Convention.

Lord Cecil added that, whereas a difficulty had existed when it was provided that the Council should itself fix the line behind which the forces of the parties concerned were to withdraw, that difficulty had disappeared, as the Committee had decided that the line in question might be fixed by agreement between the Council and the party concerned.

General DE MARINIS asked that it should be specified that the line for withdrawal should also take into account the lines of communication deemed essential from the point of view of supplies. He agreed that this factor was already included in the idea of security, but thought that there was no objection to repeating it.

Lord CECIL expressed his doubts as regards the expression "the exterior limits of the defence organisations existing on the frontier". He suggested that this might open the door to all kinds of discussion on the part of a State which regarded an advanced trench as a defence organisation to be taken into account in fixing the lines for withdrawal. He asked that it might be clearly stated in the report that the defence organisations in question must include something other than a mere line of trenches.

M. MASSIGLI pointed out that a defence organisation included a whole series of works.

M. SOKAL said that he would accept any formula proposed that might ensure the protection of vital centres and natural lines of defence.

*The Committee agreed on the following wording for paragraph 4 of Article 2 :*

" . . . provided always that this does not involve the withdrawal of the forces further back than the exterior lines of the defence organisations existing on the frontier of the High Contracting Parties concerned at the time when the Council of the League of Nations takes its decision, and that the lines do not involve the abandonment of any other work, position or line of communication essential to the security or the supplies of the party concerned."

*The Committee also agreed that it should be mentioned in the report that the Polish delegation had proposed the inclusion of another case — the violation of international agreements — but that, after discussion, the Committee had preferred to leave the question open, as it would be examined later by the Disarmament Conference.*

Lord CECIL thought it should also be noted, in this connection, that the Committee had felt it its duty to consider not the causes that might lead to a conflict but the actual circumstances of the conflict, and that that was why it had decided not to adopt the Polish proposal, with which several delegations, particularly the British delegation, had been in full sympathy.

M. SOKAL was glad that the Polish proposal was to be mentioned in the report; he proposed to ask at a plenary meeting that a statement on the subject by the Polish delegation might also be annexed.

The CHAIRMAN replied that any delegation had the right to have a declaration annexed unless the majority of the members of the plenary Committee objected.

5. Article 3 (continuation).

At the request of the French delegation, the second paragraph of Article 3 was drafted as follows:

“ When regulating the execution of the measures it has prescribed, the Council shall, at the reasoned request of a High Contracting Party which is a party to the dispute, cause that execution to coincide with the arrival of the commissioners on the spot, so far as it may think necessary.”

6. Article 4:

The Committee agreed on the following wording for the second paragraph of Article 4:

“ Should war break out as a consequence of this violation, such violation shall be regarded by the High Contracting Parties as *prima facie* evidence that the party guilty thereof has resorted to war within the meaning of Article 16 of the Covenant.”

Lord CECIL stated, that he attached great importance to the expression “ *prima facie* evidence ” which appeared in his own proposal. According to British procedure, *prima facie* evidence was merely an indication, but was notwithstanding sufficient to place the burden of proof on the party to which it applied.

The CHAIRMAN pointed out that *prima facie* evidence under British law corresponded to “ *présomption juris tantum* ”, which did not preclude proof in refutation. The evidence referred to in Article 4 was merely presumptive.

Dr. GÖPPERT urged the importance of extreme caution as regards the adoption of a formula which might involve the automatic application of Article 16 of the Covenant. He would have preferred to say simply that such violation would be regarded by the contracting parties as an important element in determining the aggressor in the case of recourse to war. He would, however, agree to the use of the word “ *présomption* ” provided that by this was meant mere presumption, and that it was noted in the report that certain delegations would have preferred a somewhat more comprehensive expression.

Lord CECIL pointed out that the word “ *présomption* ” would be translated in the English version as “ *prima facie* evidence. ”

M. MASSIGLI emphasised the importance of this paragraph which would undoubtedly do much to facilitate the acceptance of the Convention by certain States.

7. Article 5.

Article 5 was approved without observation (Annex 6).

8. Article 6 (new).

The CHAIRMAN proposed, in order to take into account the Swedish proposal, the following text for a new article, to be inserted after Article 5:

“ The High Contracting Parties undertake to provide, by the means at their disposal, such publicity as the Council may recommend for its deliberations and recommendations when a dispute is brought before it in the cases contemplated by the present Convention.”

General DE MARINIS objected to the proposed formula: “ undertake to provide, by the means at their disposal ”, as being too strong. There was the risk of throwing doubt on the good faith of Governments which might have every intention of abiding by their undertaking.

The CHAIRMAN noted that certain delegations had observed that the Government was not always able to insist on the desired publicity being given in the Press. The publication of decisions of the Council in the national *Official Journals* would not be regarded as adequate.

Lord CECIL thought that the provisions relating to publicity in Article 15 of the Covenant might have been regarded as sufficient.

Article 6 was adopted in its final form (Annex 6).

9. **Draft Recommendation to the Assembly regarding Publicity.**

M. SOKAL read the following draft recommendation, *which was adopted*:

“ The Special Committee,

“ Being aware of the danger which, in the event of an international crisis, may arise from irresponsible Press campaigns and publicity given in the Press to inaccurate or tendentious information ;

“ Recognising that aggressive propaganda against a foreign Power may, in certain circumstances, constitute a veritable threat to the peace of the world :

“ Requests the Assembly to consider this problem and examine the possibilities of finding a solution.”

10. **Article 7 (former Article 6).**

Lord CECIL pointed out that this article had been inserted at the request of the British delegation, to take into account the particular situation of the British Empire, which constitutes an international entity. It was intended to specify clearly that Great Britain's signature would not be binding upon the Dominions.

*Article 7 was adopted (Annex 6).*

11. **Articles 8, 9, 10, 11, 12 and 13.**

*These articles were adopted without observations (Annex 6).*

12. **Article 14 (former Article 13).**

The CHAIRMAN asked the Committee to consider the questions of the period after which the Convention could be denounced and the effects of that denunciation.

M. LANGE stated that, in his opinion, the Convention should be signed for a fairly long period — for example, ten years.

M. MASSIGLI pointed out that the effects of the Convention would certainly be conditional on ratification by certain States, for example, all the European States which were permanent Members of the Council. Would denunciation by one Member be sufficient to cause the Convention to lapse ? That point must be made clear as regards Powers that might sign subject to reservations.

*Article 14 was adopted (Annex 6).*

13. **Articles 15 and 16.**

*Articles 15 and 16 were approved without observations (Annex 6).*

14. **Preamble.**

*The Committee decided to adopt the Preamble and to note in the report observations submitted during the discussion by certain delegates, particularly Lord CECIL, who would have preferred to suppress the Preamble as its wording was rather vague. He was afraid that, in view of the somewhat meagre results embodied in the Convention, one section of the public might think that the Committee was endeavouring to cover up a partial failure, while other people, if they were told that this was only a first stage, might be somewhat sceptical as to what was to follow. The Preamble was often regarded as an indication of the spirit in which the Convention was to be read. It would be preferable, in his view, to do without one, leaving the Convention to speak for itself, the report forming a useful commentary on the articles and an excellent means of propaganda.*

The CHAIRMAN also felt it necessary to bring out clearly in the report the fact that the draft Convention was the outcome of serious effort, that it constituted a success, which, though slight as yet, might, the Committee hoped, be still further improved upon later.

15. **Title of the Convention.**

*The Committee decided to give the draft Convention the following title:*

“ Preliminary Draft General Convention to improve the Means of preventing War.”

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## PLENARY MEETINGS (continued).

### FIFTH MEETING.

*Held on Thursday, May 14th, 1931, at 4.45 p.m.*

*Chairman: M. POLITIS.*

#### 12. Discussion of the Text of the General Convention proposed by the Drafting Committee.

The CHAIRMAN read, article by article, the text adopted by the Drafting Committee.

He pointed out that, in the title, the word "strengthen" had been replaced by the word "improve" which gave a truer idea of the purpose of the Convention. The Preamble had been amended accordingly.

*The title and Preamble were adopted without discussion.*

Lord CECIL stated that as the British delegation had not had time to examine the English text of the Convention which had only just been circulated, it would reserve the right to submit any observations later with reference to the drafting of that text.

#### ARTICLE 1.

*Article 1 was adopted without discussion.*

#### ARTICLE 2.

At the request of Lord CECIL, the words "parties to the dispute" were added after the words "the High Contracting Parties", in the first line of the first paragraph.

The CHAIRMAN pointed out that, in the second paragraph, the words "civil aircraft" should be replaced by the words "their civil aircraft".

M. MASSIGLI preferred the actual drafting which had a much wider significance. It was not only aircraft of parties to the dispute that had to be considered. If the aircraft of third States (employed, for example, in the service of an international line), flew over a prohibited zone, the fact of their doing so might lead to incidents. Moreover, the right to establish prohibited zones had always existed. All the international air Conventions provided for it and authorised States to prohibit any zone to air traffic for reasons of national security. The clause in question did not establish a new principle and there was no real objection to its being adopted.

General DE MARINIS suggested that the arguments brought forward by the French delegation might also apply to ships. If access to certain maritime zones were prohibited, such prohibition should affect not only the warships of the States parties to the dispute but also those of other countries. He suggested, by way of example, the case of a threat of war between two States, A and B, both States, in conformity with the Council's orders, withdrawing their vessels from the prohibited zone. If, however, there remained in that zone warships of an ally of State A, the fact of their presence still implied a grave threat of contact and hence of conflagration.

Lord CECIL replying first to General de Marinis, pointed out that the paragraph in question referred only to the land or naval forces of the party which had entered the territory of another party. The order to withdraw could only affect the parties to the dispute. If allied countries were implicated, the provisions of the clause, and hence the order to withdraw, would automatically apply to all the parties to the dispute and not only to the two principal parties.

He pointed out, in reply to M. Massigli, that the Council would always have to act very promptly. Prohibition to fly over certain zones, as suggested by the French delegate, would involve lengthy formalities (confirmation, notification of the companies concerned, publication, etc.). The real point, however, was to avoid the occurrence of any incident between the two parties concerned. Accordingly, the clause in question should apply only to civil aircraft belonging to those parties. He begged M. Massigli not to insist on the text "civil aircraft".

General DE MARINIS accepted the British delegate's explanations.

M. MASSIGLI said he would not insist on the wording he had suggested but wished his observation to be mentioned in the report. The principle as laid down could not restrict in any

way the right of States to establish prohibited zones. As regards urgent decisions, the means available nowadays (telegraph, wireless etc.) made it possible to forward urgent instructions in a very brief space of time.

The CHAIRMAN observed that, whenever circumstances might make this necessary, the Council could, of course, suggest that aircraft should be prohibited from flying over a sensitive zone.

M. RUTGERS asked first whether it would be possible in the first paragraph, to put back the word "air" ("land, naval or air forces"), which had been deleted from the original text and now figured only in the later paragraphs. It was necessary to take into account, not only the case of flight over territory, but also the fact that land forces might sometimes be accompanied by air forces conveyed by land on lorries, railway trucks, etc. — that was to say, not actually in flight. Further, it was necessary to consider the possibility of civil aerodromes in demilitarised zones being occupied by military aviators and machines.

He enquired, secondly, why the words "natural lines of defence", figuring in the list given in the Polish proposal (Annex 4, Article 2 (a)), had not been retained in the final text, the principle embodied in that proposal having been adopted by the Drafting Committee.

The CHAIRMAN, replying to the Netherlands delegate's first question, said that if air forces accompanied land forces by land they were automatically regarded as forming part of such land forces, and would thus have to be withdrawn simultaneously with the latter.

As regards the omission of the words "natural lines of defence", the Drafting Committee had felt that they could be deleted, as the generic term "any other work, position or line of communication essential to the security or the supplies of the party concerned" included, by implication, natural lines of defence. He admitted that that paragraph had been one of the most difficult to draft. The Drafting Committee had hesitated between a long list and the adoption of a single generic phrase, but after discussion it had been decided that in the interests of greater clearness, part of the list to be found in the Polish proposal should be retained, followed by a generic phrase covering all other possible cases.

He reminded the Committee that, in Article 2, the Polish delegation had suggested referring to the measures to be taken if, in the event of a threat of war, events should occur which might constitute "a violation of an international obligation", in which case the Council should recommend putting an end to such violation. In spite of the amendments made by the Polish delegation in its proposal confining the Council's action to cases of the violation of international engagements regarding disarmament, the Committee had failed to agree on the adoption of the proposal. Some delegations, though sympathetic to the idea, considered that it was, for the moment, beyond the scope of the Convention, but might be adopted later.

M. SOKAL thanked the Chairman for the explanation he had just given and read a declaration which he asked to have inserted in the report (see Annex 5).

*Agreed.*

M. MASSIGLI stated that the French delegation would be glad to see included in the Convention a clause relating to respect for the status of armaments. It recognised, however, that such a provision might be regarded as outside the scope of the Convention.

M. CHOUMENKOVITCH, on behalf of his delegation, which was not represented on the Drafting Committee, endorsed the principle at the basis of the Polish declaration.

*Article 2 was adopted.*

### ARTICLE 3.

Lord CECIL thought that, as Article 2 referred to several decisions, the words "the decisions referred to" in paragraph 1 of Article 3, should read "any of the decisions referred to."

*Agreed.*

General DE MARINIS pointed out that paragraph 4 was not an accurate representation of the Drafting Committee's proceedings. As it stood, the wording was even absurd. To prevent misinterpretation, the phrase "in the zone which has been ordered to be evacuated" should either be deleted or changed to "even in the zone ...".

M. MASSIGLI agreed that the phrase in question was superfluous. To retain it would give the impression that the commissioners, being on the spot, could inspect bases which were outside the evacuated zone. This was quite wrong.

*The words "in the zone which has been ordered to be evacuated" were deleted.*

*Article 3 was adopted with the above amendment.*

ARTICLE 4.

M. RUTGERS made an explicit reservation regarding paragraph 2 of this article which was not in accordance with the provisions of the Covenant. It was for Members of the League of Nations to decide independently and after due consideration, whether Article 16 applied or not. "*Prima facie* evidence" was a new idea not in keeping with the spirit of the Covenant, and could therefore not be retained.

The paragraph moreover was contradictory to both Article 7, which stated: "The provisions of the present Convention shall only apply as between the High Contracting Parties", and Article 8, reading: "The present Convention may not be interpreted as restricting the task or the powers of the League of Nations, as laid down in the Covenant."

What would be the position when the Convention came into force? Members of the League who had signed it would be bound by the provisions of Article 4, paragraph 2, according to which violation of the measures defined in Article 2 would be *prima facie* evidence that Article 16 of the Covenant applied, while Members not signatory to the Convention would be free; as a result decisions would vary.

Either paragraph 2 of Article 4 amplified the meaning of Article 16 of the Covenant or it did not. The latter, he thought, was the preferable alternative, but it had to be assumed that there was some definite reason for inserting such a clause in the Convention. If the Covenant were to be modified, the change should be made in the Covenant itself and not outside it.

He did not believe there was any need for formal criteria of a more or less automatic nature (concrete proofs, *prima facie* evidence, etc.) to decide the application of Article 16 of the Covenant. The paragraph therefore seemed superfluous, and if retained, could only injure and stultify the Covenant. The Netherlands delegation therefore made an explicit reservation regarding Article 4, paragraph 2.

Lord CECIL in reply to M. Rutgers, recalled the history of the paragraph in question. The French delegation had submitted a much more drastic proposal (Article 3*bis* of proposal A, see Annex 1), which would have entailed the automatic application of Article 16 of the Covenant.

The Third Committee also, in its report to the Assembly (Annex 2) had suggested that if a country did not comply with Council's decisions, Article 16 of the Covenant would remain intact. As a compromise, the British delegation had suggested the formula which was at the basis of the paragraph to which objection had been taken. He could not see how it clashed with Article 8 of the Convention since the application of Article 16 of the Covenant did not depend at all on the action of the Council — it was for the Members of the League to decide whether they should or should not intervene if an undertaking were violated. Under Article 16 of the Covenant, the Council could only express its opinion after it had been decided that that article applied.

If war broke out as a consequence of the violation of the Council's decisions, such violation would be deemed *prima facie* evidence that the guilty party had resorted to war. On that point, all the members were agreed. Paragraph 2 of Article 4 was merely a warning to States of the result of disobedience, and had no effect whatever on the application of Article 16 of the Covenant.

He would be the first to refuse to countenance any semblance of a modification of any article in the Covenant.

M. RUTGERS agreed with Lord Cecil's remarks as to the functions of the Council and of the contracting parties, but wished to point out that the fifth conclusion of the Third Committee's report to which Lord Cecil had referred differed from paragraph 2 of Article 4 of the Convention in that it had not the legal character of that paragraph.

The CHAIRMAN observed that the Drafting Committee, of course, was not responsible for Article 4 — it had merely utilised the French and Polish proposals, paragraph 1 being taken from the latter. As the last sentence in the Polish proposal had been considered too far-reaching, Lord Cecil had, in agreement with the Polish delegation, suggested, by way of compromise, replacing it by the present paragraph 2, which was a kind of mean between the two extremes.

Personally, after mature reflection on the implications of the paragraph, he would feel no hesitation in recommending his Government to adopt Article 4 with paragraph 2 as at present drafted.

Dr. GÖPPERT wished to remind the Committee that he had had some scruples in accepting the Drafting Committee's text and had requested that these scruples should be mentioned in the report.

*Article 4 was adopted without amendment.*

*The remaining articles, together with the formal clauses, were adopted without observations (Annex 6).*

M. ITO stated that, since last year, his Government's views had not changed. Consequently, the Japanese delegation had taken no part in the discussion. As the Committee had now a uniform final text before it, he wished to state that the Japanese delegation, while fully endorsing the principle which had led to the drawing up of the Convention, thought that the military and supervisory measures provided would be more effective if the Convention could take into account the political, ethnical and geographical situation of the various countries instead of establishing a single uniform rule for the whole world. The purpose in view — to prevent war — would be better achieved by means of regional agreement than by an international Convention. While submitting this statement of principle, the Japanese delegation wished to add that it had no thought of objecting to the conclusion by the countries concerned of such a Convention.

The CHAIRMAN noted the declaration made, and as provided by the usual rules of procedure asked the various delegations to vote in turn on the Convention.

The following delegations voted in favour of the Convention : France, Germany, Great Britain, Greece, Guatemala, Italy, Norway, Spain.

The Japanese delegation abstained.

The Netherlands delegation voted in favour, subject to a reservation.

The Polish and Yugoslav delegates voted in favour, subject to the insertion of their statements in the report.

The CHAIRMAN declared the Convention unanimously adopted, with the reservations stated, the Japanese delegation abstaining.

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#### SIXTH MEETING.

*Held on Friday, May 15th, 1931, at 5 p.m.*

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*Chairman: M. POLITIS.*

#### 13. Examination of the Draft Report submitted by M. Lange, Rapporteur.

The CHAIRMAN invited members of the Committee to submit observations, page by page, on the report, which had been circulated.

Dr. GÖPPERT wondered whether the last paragraph of the first part of the report, " *Ad Title and Preamble of the Convention* " was not somewhat pessimistic ?

This paragraph read as follows :

" Further, if the draft only represented a modest step forward in the development of means to prevent war, the Committee hoped that this first step might soon be followed by others, still more important, in particular, in connection with the undertakings for which provision might be made in the general Convention for the Reduction and Limitation of Armaments."

He agreed that something better might have been expected from the Convention with a view to the improvement of means to prevent war, but, nevertheless, the results obtained were of undoubted value and there was no reason to depreciate them. Moreover, the passage in question was inconsistent with other passages in the report expressing gratification at the progress achieved. The truth was best conveyed by a moderate statement. He proposed that the paragraph in question should be deleted.

M. LANGE pointed out that it was often difficult to achieve a nice balance between optimism and pessimism. He would be quite willing to delete the passage, if the Committee agreed.

Dr. GÖPPERT explained that he had no objection to mentioning the hope of further progress. He felt, however, that the Committee would be exceeding its powers if it decided to adopt the last words : . . . " in particular in connection with the undertakings . . . "

Lord CECIL agreed with the German representative that, at all events, the last words he had quoted should be deleted. The beginning of the preceding paragraph — " The Committee . . . realises perfectly well the limitations of the text it has prepared " — was quite enough. The Rapporteur had felt it his duty, in the interests of truth, to mention this point in the report, but Lord Cecil thought it unnecessary to emphasise it unduly.

M. MASSIGLI agreed that there was no objection to deleting the last words of the paragraph in question, since he regarded them as a somewhat bold forecast of the future.

*The Committee decided to delete the last words of the paragraph, which would read as follows:*

“ Moreover, although the draft represents only a modest advance in the direction of means of preventing war, the Committee desires to emphasise its practical importance and cherishes the hope that, in the future, this first step may be followed by other and more important steps.”

Dr. GÖPPERT drew attention to the drafting of the third paragraph of that section of the report dealing with “ Conservatory Measures of a Military Character.” In this paragraph, the following passage occurred :

“ In this provision the words ‘ waters of a contracting party ’ include all inland or territorial waters which the interested party considers to be under its jurisdiction, even though, from the legal point of view, the question could not be considered as having been settled.”

He asked that the words “ all inland or territorial waters ” might be replaced by the term “ adjoining waters ” or some such expression. What was wanted was a very general and at the same time a very simple expression, to cover all possible cases of danger that might arise from the presence of vessels in the vicinity of any coast.

Lord CECIL preferred the present drafting and thought the text proposed by the German delegate rather dangerous. If so vague an expression were adopted, it would be difficult to determine at what moment the presence of a fleet in certain zones constituted a danger. Any country would have the right to claim that the fleet of another country was too close to its coasts, and there would be no rule to decide whether a fleet had the right to remain in certain waters. The existence of territorial waters and, hence, of definite limits, solved the difficulty. Moreover, the point had already been settled in the Convention, and Lord Cecil urged the German delegate not to reopen a question that had been decided.

M. MASSIGLI agreed that this was one of the most delicate points that the Committee had had to settle and proposed that the report should bring out the fact that it had deliberately adopted a somewhat vague solution owing to the difficulties involved. As the Convention would not come into force immediately, Governments might be asked to submit observations on this point. The draft Convention might be amended later in the light of their replies.

*The second paragraph was accordingly amended to read as follows:*

“ The measures of the first category are dealt with in the first paragraph of Article 2. It was understood that those measures should be taken without delay. *In this provision, the words “ waters of a contracting party ” are not to be interpreted in their technical sense. The point is to deal with a threat of war . . . .*”

*The report was adopted subject to a few drafting amendments (for the final text, see Annex 6).*

The CHAIRMAN thanked the Rapporteur for the accurate and lucid statement which he had submitted.

#### 14. Printing of the Minutes.

*The Committee decided to ask the Council to authorise the printing of its Minutes.*

#### 15. Close of the Session.

The CHAIRMAN, after summing up the results, expressed his gratification that the Committee should have been able to propose solutions for problems which previously had proved to be stumbling-blocks : for example, the application of the proposed system to all land, naval and air forces ; the extension of the system to countries between which demilitarised zones exist under the terms of international agreements ; the problem of supervision ; the problem of sanctions.

He expressed the hope that this initial step might be a prelude to further considerable progress in the near future.

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ANNEX 1.

(Extract from document A.11.1930.VII.)

PRELIMINARY DRAFT GENERAL CONVENTION  
TO STRENGTHEN THE MEANS OF PREVENTING WAR.

PREPARED BY THE COMMITTEE ON ARBITRATION AND SECURITY DURING ITS FOURTH SESSION  
(April-May 1930).

[Names of the High Contracting Parties.]

Being sincerely desirous of developing mutual confidence by strengthening the means of preventing war,

Noting that for this purpose the task of the Council of the League of Nations in ensuring peace and conciliation might be facilitated by undertakings assumed voluntarily in advance by the States,

Have decided to conclude a convention and have for that purpose appointed as their plenipotentiaries :

[Designation of Plenipotentiaries.]

Who, having deposited their full powers found in good and due form, have agreed as follows :

*Article 1.*

The High Contracting Parties undertake, in the event of a dispute arising between them and being brought before the Council of the League of Nations, to accept and apply the conservatory measures of a non-military nature relating to the substance of the dispute which the Council, acting in accordance with the powers conferred on it by the Covenant of the League of Nations, may recommend with a view to preventing the aggravation of the dispute.

*Article 2.*

*Proposal A.*

In the cases mentioned in Article 11, paragraph 1, of the Covenant of the League of Nations, and without prejudice to the application of Article 16 of the Covenant, the High Contracting Parties undertake to comply with the measures which the Council may prescribe with a view to :

(a) The withdrawal of forces having penetrated into the territory of another State, or into a zone demilitarised in virtue of international treaties ;

(b) The withdrawal of naval forces beyond certain geographical limits which will be fixed by the Council for this purpose, the naval forces of the two parties, however, retaining full liberty of movement beyond those limits, and the prohibited zones allowing of the necessary communications being maintained between the various territories under the authority of each party ;

(c) The prohibition of military or civil aircraft of the High Contracting Parties concerned to fly over frontiers on or near which the Council shall think fit to take such measure.

*Proposal B.*

If, in the event of a threat of war, the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, recommends the withdrawal of the forces of one of the High Contracting Parties having penetrated into the territory of another State or into a zone demilitarised in virtue of international treaties, the High Contracting Parties undertake to comply therewith without delay.

Each High Contracting Party also undertakes to conform to any other recommendation which the Council may make to it with a view to reducing the threat of war or to ending it in so far as it does not consider such recommendation incompatible with its national security ; in such a case, however, it shall at once inform the Council of the grounds for its refusal to comply with the recommendation.

If, on the frontier concerned, there is no zone demilitarised in virtue of international treaties,



the High Contracting Parties further undertake to comply with other measures which the Council may prescribe to prevent contact between the land or air forces, provided this does not involve the withdrawal of these forces further back than the exterior limits of the defence organisations of any kind existing on the frontiers of the High Contracting Parties concerned at the time when the Council of the League takes these measures.

*Article 3.*

*Proposal A.*

As soon as they shall have been notified of the measures decided upon by the Council in application of Article 2, the High Contracting Parties concerned shall take all steps to ensure their execution without delay.

If, owing to special circumstances or to hostile acts by the other party one of the High Contracting Parties thinks it necessary, it may inform the Council that it is postponing the total or partial execution of the prescribed measures until the arrival on the spot of the Commissioners instructed by the Council to supervise the execution of the measures which it has prescribed for the two parties.

The High Contracting Parties undertake to grant these Commissioners all facilities for the performance of their task, whether on land or on board their respective naval forces.

The rules to be followed for the composition and working of Commissions of Control shall be embodied in executive regulations which shall be prepared by the competent organs of the League of Nations, so as to enter into force at the same time as the present Convention.

*Proposal B.*

If, in the cases provided for in Article 2 above and for the purpose of satisfying itself that the prescribed measures have been carried out, the Council of the League of Nations decides to send representatives to the spot, the High Contracting Parties undertake to lend themselves to any action of the Council to this effect.

*Article 3 bis.*

*Proposal A.*

If any violation of the measures defined in Article 2 is noted by the Commissioners mentioned in Article 3 and continues in spite of the Council's injunctions, the Council shall notify the measures to be taken to put an end to the said violation and the High Contracting Parties undertake to comply with the recommendations it may make to them on this matter.

Should one of the parties concerned be guilty of a deliberate and persistent violation of the prescribed measures and open or resume hostilities, without the Commissioners appointed by the Council finding the other party guilty of a similar violation of the Council's prescriptions, the High Contracting Parties shall consider the action so taken as a flagrant and unprovoked act of aggression and as a resort to war within the meaning of Article 16 of the Covenant. In such case they agree for their part to comply with the provisions of the said article as against the offending State.

*Article 4.*

In the cases referred to in Articles 1, 2 and 3, the High Contracting Parties undertake to act in accordance with the recommendations of the Council, provided that they are concurred in by all the members other than the representatives of the parties to the dispute.

*Article 5.*

The provisions of the present Convention shall only apply as between the High Contracting Parties.

*Article 6.*

The present Convention may not be interpreted as restricting the task or the powers of the Council of the League of Nations as laid down in the Covenant.

*Articles 7 to 14 (Formal Clauses).*

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ANNEX 2.

*(Extract from document A.71.1930.IX.)*

CONCLUSIONS REACHED BY THE THIRD COMMITTEE.

EXTRACT FROM THE REPORT OF THE THIRD COMMITTEE TO THE ELEVENTH ASSEMBLY.

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(1) The Committee is of opinion that, in principle, it would be advantageous to transform the model treaty into a General Convention to strengthen the Means of preventing War.

(2) The Committee was unanimous in regard to the provisions given in Article 1 of the preliminary draft concerning the conservatory measures of a non-military nature which the Council may recommend the contracting parties to take.

(3) With regard to Article 2 of the preliminary draft, the Committee considered that this article might embody provisions to ensure the integral application of Article 11 of the Covenant, with a view to the prevention of war by making binding on all contracting parties the Council's recommendations for the avoidance of direct contact between the opposing forces, and for the avoidance of incidents at a time when relations between the States concerned in any dispute have become so strained that, in the opinion of the Council, there is a threat of war.

(4) The Committee likewise considered that the Convention should provide for a supervision of the measures which, in the cases mentioned in Article 2, would be decreed by the Council (Article 3 of the preliminary draft).

(5) Lastly, in view of the fact that the scheme was limited to the prevention of war, as mentioned in Article 11 of the Covenant, the Committee felt that it should be understood that the question of the methods of applying Article 16 of the Covenant would remain intact, and that, on the other hand, the proposed Convention would result in facilitating such application.

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ANNEX 3.

COMMUNICATIONS FROM GOVERNMENTS ADDRESSED  
TO THE SECRETARY-GENERAL.

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I.

COMMUNICATION FROM THE AUSTRIAN GOVERNMENT.  
(April 24th, 1931.)

[*Translation.*]

I have the honour to request you to convey the following observations to the Committee :

In the first place, the Federal Government wishes to state that it would heartily welcome the success of the negotiations for the conclusion of such a Convention, which it regards as particularly well calculated to increase the effectiveness of the work of the League for the maintenance of peace.

The discussions on this subject at the last Assembly made it plain that nearly all the Members of the League are in principle in favour of such a Convention, but that there were still differences of opinion on two particular points — namely, the conservatory measures of a military character (Article 2) and the supervision of the execution of the prescribed measures and the sanctions in the event of non-execution (Article 3).

It is on these particular points, therefore, that the Federal Government desires to express its views.

As regards Article 2, the Federal Government is of opinion that proposal B, modified in accordance with the amendments suggested by Great Britain and Germany — whereby the Council would be given the right to recommend, not merely the withdrawal of the forces having penetrated into the territory of another State, but also the withdrawal of the military forces of a State concerned in the dispute behind a line drawn on that State's own territory — would answer the purpose of the Convention better than proposal A, since the Council should have as much freedom as possible in deciding on the measures to be taken for the preservation of peace.

In the Federal Government's opinion, the creation of demilitarised zones would be one of the most effective means of preventing the outbreak of hostilities.

With regard to the supervision of the execution of the measures prescribed by the Council, our Government is again in favour of proposal B for Article 3. In the Federal Government's view, the provisions of proposal A seem to go beyond the scope of the Covenant of the League, and have therefore very little chance of being accepted. Moreover, the possibility offered by proposal A to the States concerned, of postponing the total or partial execution of the measures prescribed by the Council until the arrival on the spot of the League Commissioners can hardly, the Federal Government thinks, be looked upon as conducing to the purposes of the Convention.

Furthermore, the Federal Government does not think it necessary that the Convention should contain clauses prescribing sanctions to be applied to parties who have violated the conservatory measures prescribed by the Council. For the present, the Covenant of the League seems to offer adequate protection in this respect.

Lastly, the Federal Government would express the hope that — inasmuch as the differences between proposals A and B for Articles 2 and 3 are differences not so much of principle as of detail — the Special Committee will be able to draw up a text acceptable to all parties.

(Signed) SCHOBER.

## II.

### COMMUNICATION FROM THE CHILIAN GOVERNMENT.

(May 11th, 1931.)

[Translation.]

I have the honour to inform you that, according to the instructions which I have just received from my Government through His Excellency M. Jorge Valdés Mendeville, it will not be possible for Chile to be represented on the Committee appointed to study a draft general Convention to strengthen the Means of preventing War.

While thanking the Council for this invitation, the Chilian Government desires to state that it would not have been in a position to give its assent to a draft Convention which might increase the obligations arising from the Covenant in its present form, since this is contrary to its views, as it has already had an opportunity of explaining.

For His Excellency M. Jorge Valdés-Mendeville :

(Signed) ENRIQUE J. GAJARDO.

## III.

### COMMUNICATION FROM THE DANISH GOVERNMENT.

(May 5th, 1931.)

[Translation.]

As my Government was unable to submit its suggestions or observations before the end of April, it has instructed me to inform you that it attaches very great importance to the subject in question, but that the examination of the subject which it undertook has not yet been completed. It reserves the right to submit its observations or suggestions when the results of the Special Committee's discussions are known.

However, the Danish Government desires at present to point out that, in its opinion, it is of importance that the draft which will be submitted to the Assembly for the latter's decision should, as far as possible, embody the experience already gained by the Council in its efforts to prevent war and the risk of war.

(Signed) WILLIAM BORBERG.

## IV.

### COMMUNICATION FROM THE FINNISH GOVERNMENT.

(April 20th, 1931.)

[Translation.]

I have the honour to inform you that the Finnish Government agrees in principle with the view of the Third Committee of the eleventh Assembly that it would be desirable to frame a general Convention to strengthen the Means of preventing War. In view, however, of the slow-

moving and complex nature of the machinery necessitated by general conventions and of the experience acquired hitherto as regards their establishment and general application, my Government questions whether it is expedient, despite its sympathy for the project in principle, to attempt to put the scheme into effect unless the Convention really constitutes an essential and practical contribution towards the means of preventing war.

In examining in detail the material before it, the Finnish Government cannot refrain from pointing out that Article 1 of the draft of the Committee on Arbitration and Security, which the Third Committee of the last Assembly also adopted unanimously, provides only for disputes that may arise between contracting parties. Article 11 of the Covenant and various other passages of that instrument, however, provide for intervention by the League of Nations not only cases of dispute between Members of the League. My Government ventures, therefore, to submit for examination by the competent bodies the question as to whether Article 1 should not be amended so as to comply, if necessary, *mutatis mutandis*, to cases in which the League's organs may have to take cognisance of a dispute or threat of war also affecting non-member States.

As regards Article 2, the Finnish Government concurs in the view that the measures recommended by the Council to prevent the situation from becoming critical should, to as great an extent as possible, be compulsory in character. In view, however, of the possibility of States taking a different attitude towards such measures and their application at the critical moment of a threat of war, the Finnish Government is of opinion that an equitable guarantee for the interests of the parties to the dispute presupposes that the application of those measures will be impartially supervised, and, further, that a State which considers that the fact of complying with them essentially comprises its military situation, should have the right, under the supervision of an external authority, to defer the application of such measures to a later date. Further, the Finnish Government considers that, in order that control may be effective, provision should be made for certain penalties to be applied subsequently in case of need.

As regards Article 4 of the draft framed by the Committee on Arbitration and Security, the Finnish Government has no observations to submit, but, in connection with Article 5, it desires to repeat its observations concerning Article 1, to the effect that the procedure recommended in the draft Convention might, so far as it is relevant, apply also to disputes affecting States non-members of the League of Nations.

(Signed) A. S. YRJO-KOSKINEN.

## V.

### COMMUNICATION FROM THE GOVERNMENT OF THE IRISH FREE STATE.

(April 28th, 1931.)

The Minister for External Affairs instructs me to inform you that the Irish Government are in complete agreement with the general principle of the proposal made by the German delegation at the second session of the Committee on Arbitration and Security in 1928. They believe furthermore that a general convention drafted on the lines of the conclusions arrived at by the Third Committee of the eleventh Assembly (document A.71.1930.IX) would give a satisfactory measure of practical effect to the principle of the German proposal.

It is apparent, however, that, within the limits of the conclusions arrived at by the Third Committee of the eleventh Assembly, there are wide differences of opinion as to the methods to be adopted in the application of the general principle. The Irish Government apprehend, in addition, that these differences of opinion exist between Members of the League, which, owing to geographical and political circumstances, may be thought to be more directly and intimately interested in the conclusions of a convention such as that now proposed than the Irish Free State.

Having regard to this latter consideration, the Government of the Irish Free State do not desire to submit any suggestions or observations to the Special Committee set up by the Council for the preparation of a draft general Convention to strengthen the Means of preventing War. They feel confident that any text in which the divergences of view referred to are reconciled to the satisfaction of the parties more immediately concerned will be such as to permit its ready acceptance on behalf of the Irish Free State.

(Signed) Sean LESTER.

## VI.

### COMMUNICATION FROM THE SWEDISH GOVERNMENT.

(April 25th, 1931.)

[Translation.]

. . . I should like once more to emphasize the Royal Government's particularly keen interest in the realisation of the idea underlying the proposed Convention. The Swedish view regarding the various clauses of this agreement has been stated several times during the discussions in the Committee on Arbitration and Security and the Third Committee of the Assembly. The Royal Government may, however, offer observations and suggestions either when it receives the text to be drawn up by the Special Committee or at the next Assembly.

Meanwhile I may take this opportunity to inform you that, in the Royal Government's opinion, it would be desirable for the Special Committee to be able to discuss the question of the publicity of the Council's reports and decisions. It seems obviously important that the Council's statements on a question in dispute and its recommendations to the parties to the dispute should not be withheld from the knowledge of the public in any country, especially in those particular countries which are parties to the dispute. It should, I think, be possible to obtain from Governments a formal undertaking to publish at a time of emergency the Council's statements and recommendations regarding the dispute, in order to give responsible public opinion an opportunity of forming an impartial judgment on the substantive question. A clause to this effect could perhaps be embodied in the general Convention to strengthen the Means of preventing War.

In this connection, it would, in my view, be desirable to go thoroughly into the more general question of the function and influence of the Press during periods of international complications. It is impossible to exaggerate the danger that may arise in such cases from irresponsible Press campaigns and the publication in the newspapers of inaccurate or biased reports regarding international relations, and real value might attach to a formal condemnation of such journalistic methods by the Governments. I realise, of course, how dangerous it is to give any impression of wishing to interfere with the principle of the freedom of the Press; this principle is one of the foundations of Swedish public law, and the Swedish Government holds that it should in no case be violated. At the same time, there are circumstances in which aggressive propaganda against a foreign Power may take such offensive forms, and assume such a threatening character, as to constitute a real danger to peace. In such cases, the Council of the League, when endeavouring to settle the conflict, should be able to discuss what steps can be taken to put an end to such propaganda. This idea has been suggested to me by the President of the Swedish Red Cross, and I think it is worthy of consideration.

As a basis for the Special Committee's discussions I have had certain clauses on the subject drafted. These might, if agreed to, be embodied in the Convention to strengthen the Means of preventing War. They are as follows:

*“ Article 4 (a).*

“ The High Contracting Parties undertake to give wide publicity, in the cases referred to in Article 2 of the present Convention, to the Council's recommendations for the maintenance of peace and the settlement of the dispute, and to the statements on the dispute published by the Council.

“ They further undertake to endeavour, so far as their national laws permit, to suppress all verbal or written propaganda designed to prevent a peaceful settlement of the crisis.”

I should be obliged if you would kindly communicate this letter to the Members of the League and the Special Committee.

*(Signed)* RAMEL.

ANNEX 4.

PROPOSAL BY THE POLISH DELEGATION FOR ARTICLES 2, 3  
AND 3BIS.

[*Translation.*]

*Article 2.*

If, in the event of a threat of war, events should occur which might constitute a violation of an international obligation, the Council shall call upon the High Contracting Parties to put an end to the said violations, and the High Contracting Parties undertake to comply therewith without delay.

In the cases mentioned in Article 11, paragraph 1, of the Covenant of the League of Nations, and without prejudice to the application of Article 16 of the Covenant, the High Contracting Parties undertake to comply with the measures which the Council may prescribe with a view to the withdrawal of forces having penetrated into a zone demilitarised in virtue of international treaties.

In the cases referred to in paragraph 1 of the present article, the Council may:

(a) If, on the frontiers concerned, there are no zones demilitarised in virtue of international treaties, fix in the territory of each of them limits beyond which they undertake to withdraw and maintain their armed forces, provided this does not involve the withdrawal of the forces further back than:

The exterior lines of the defence organisations of any kind;

The natural lines of defence;

The means of communications and vital centres existing on the frontiers of the High Contracting Parties concerned at the time when the Council of the League of Nations takes the measures;

(b) Recommend the withdrawal of naval forces beyond certain geographical limits, which will be fixed by the Council for this purpose, the naval forces of the two parties, however, retaining full liberty of movement beyond those limits, and the prohibited zones allowing of the necessary communications being maintained between the various territories under the authority of each party ;

(c) Prohibit military or civil aircraft of the High Contracting Parties concerned flying over frontiers on or near which the Council shall think fit to take such measure.

*Article 3.*

As soon as they shall have been notified of the measures decided-upon by the Council in application of Article 2, the High Contracting Parties concerned shall take all steps to ensure their execution without delay.

If, owing to special circumstances, one of the High Contracting Parties thinks it necessary, it may inform the Council that it is postponing the total or partial execution of the prescribed measures until the arrival on the spot of the commissioners instructed by the Council to supervise the execution of the measures which it has prescribed. The High Contracting Parties undertake to grant these commissioners all facilities for the performance of their task, whether on land or on board their respective naval forces.

The rules to be followed for the composition and working of Commissions of Control shall be embodied in executive regulations which shall be prepared by the competent organs of the League of Nations, so as to enter into force at the same time as the present Convention.

*Article 3bis.*

If any violation of the measures defined in Article 2 is noted by the Council and continues in spite of its injunctions, the Council shall advise upon the means of all kinds necessary to ensure the execution of the present Convention. The High Contracting Parties shall in such case lend their assistance to the Council.

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**ANNEX 5.**

*Series of Publications:* 1931.VII.6.

*Official No.:* A.9.1931.VII.

**REPORT OF THE SPECIAL COMMITTEE APPOINTED TO FRAME A  
DRAFT GENERAL CONVENTION TO IMPROVE THE MEANS OF  
PREVENTING WAR.**

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**REPORT SUBMITTED BY DR. LANGE (Norway).**

*Adopted by the Committee on May 15th, 1931.*

The Special Committee appointed by the Council to pursue the study of a draft General Convention met at Geneva on May 11th, 1931. It requested M. Nicolas POLITIS, representative of Greece, to preside, and entrusted the duties of rapporteur to Dr. LANGE, representative of Norway.<sup>1</sup>

The Committee sat from May 11th to 15th. Before submitting its conclusions, it seems desirable to recall the Committee's terms of reference and the circumstances in which it was called upon to perform its task.

In 1928, the Committee on Arbitration and Security, having before it suggestions from the German delegation relating to conservatory measures for the prevention of war, found it impossible to frame anything more than a model treaty, and the Ninth Assembly expressed the hope that this model might form a useful basis for States wishing to conclude a treaty of that nature.

In 1929, on the proposal of the British delegation, the Tenth Assembly decided to ask the Committee on Arbitration and Security to consider the possibility of establishing a draft General Convention on the broad lines of the model treaty drawn up in the previous year.

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<sup>1</sup> The following took part in the Committee's work :

M. René MASSIGLI, France.  
Dr. GÖPPERT, Germany.  
Viscount CECIL OF CHELWOOD, Great Britain.  
M. Nicolas POLITIS, Greece.  
M. José MATOS, Guatemala.  
General Alberto DE MARINIS STENDARDO DI  
RICIGLIANO, Italy.

M. Nobumi ITO, Japan.  
M. RUTGERS, Netherlands.  
Dr. Christian L. LANGE, Norway.  
M. SOKAL, Poland.  
Señor Lopez OLIVÁN, Spain.  
M. Ilija CHOUMENKOVITCH, Yugoslavia.



The delegations represented on the Committee on Arbitration and Security were unable to reach an agreement — more particularly on the questions relating to conservatory measures of a military character and the means of enforcing them. The various views maintained could, however, be reduced to two main currents of opinion, which, with certain reservations, were submitted to the Members of the League in the form of alternative texts.

The Third Committee of the Eleventh Assembly endeavoured to find some means of reconciling the advocates of these two texts. It became clear, however, that certain " delicate questions of a technical nature " would have to be gone into more thoroughly before there could be any hope of establishing a single text. For that reason, the Third Committee asked the Council to appoint a special committee to continue the study of the question, starting from the following conclusions drafted by a sub-committee of the Third Committee :

" 1. The Committee is of opinion that, in principle, it would be advantageous to transform the model treaty into a General Convention to strengthen the Means of preventing War.

" 2. The Committee was unanimous in regard to the provisions given in Article 1 of the preliminary draft concerning the conservatory measures of a non-military nature which the Council may recommend the contracting parties to take.

" 3. With regard to Article 2 of the preliminary draft, the Committee considered that this article might embody provisions to ensure the integral application of Article 11 of the Covenant, with a view to the prevention of war by making binding on all contracting parties the Council's recommendations for the avoidance of direct contact between the opposing forces, and for the avoidance of incidents at a time when relations between the States concerned in any dispute have become so strained that, in the opinion of the Council, there is a threat of war.

" 4. The Committee likewise considered that the Convention should provide for a supervision of the measures which, in the cases mentioned in Article 2, would be decreed by the Council (Article 3 of the preliminary draft).

" 5. Lastly, in view of the fact that the scheme was limited to the prevention of war, as mentioned in Article 11 of the Covenant, the Committee felt that it should be understood that the question of the methods of applying Article 16 of the Covenant would remain intact, and that, on the other hand, the proposed Convention would result in facilitating such application."

On the basis of these conclusions and the observations submitted by various Governments, which are appended to the Minutes of its meeting, the Special Committee appointed by the Council proceeded to reconsider the preliminary draft General Convention drawn up by the Committee on Arbitration and Security, and endeavoured to reconcile the opposing views.

\* \* \*

The draft Convention framed by the Committee was adopted unanimously by the members present, with certain reservations which will be stated in this report. The Japanese delegation abstained from voting, giving its reasons in a statement which is recorded at the end of the Minutes of the fifth meeting.

We shall analyse below the machinery of the proposed Convention and present such observations as the Committee feels called upon to offer in explanation of the text it has drawn up.

The Committee had in view two essential aims : to afford those States which might think it desirable an opportunity of signing undertakings which would increase, so far as is at present thought possible, the efficacy of the means of preventing war which are placed at the Council's disposal by the Covenant of the League, and at the same time to avoid restricting in any degree the powers conferred upon the Council by the Covenant.

To promote the first of these aims, the Committee thought it advisable to base the obligations in the General Convention on the principle of Article 5 (Article 4 of the preliminary draft framed by the Committee on Arbitration and Security). According to this article, the Council's decisions and recommendations regarding conservatory measures of a military or a non-military character, the supervision of the measures of a military character, and the means upon which, in the event of any violation, the Council might decide to ensure the execution of the Convention, would be binding on the parties to the dispute except as otherwise provided, so long as they were concurred in by all the Members other than the parties to the dispute.

To meet the second consideration, the Committee not merely retained the old Article 6 of the preliminary draft of the Committee on Arbitration and Security (Article 8 of the draft Convention), according to which the Convention may not be interpreted " as restricting the task or the powers of the Council of the League of Nations as laid down in the Covenant " ; but thought it advisable to lay down that the conservatory measures of a military character defined in Article 2 should be prescribed " without prejudice to the other powers " which the Council derives from Article 11 of the Covenant. The proposed Convention is in no case to be regarded as limiting those powers.

The Committee must lay particular stress on this idea because it realises perfectly well the limitations of the text it has prepared. It did not seem possible to ask the States to accept more extensive obligations in a general convention. But whereas, in the matter of conservatory measures, the contracting parties will not be legally bound except by the obligations in the Convention, there can be no doubt that they may, if they think fit, themselves agree or propose to the Council to take other measures " that may be deemed wise and effectual to safeguard the peace " and " the good understanding between nations upon which peace depends ".

Moreover, although the draft represents only a modest advance in the direction of means of preventing war, the Committee desires to emphasise its practical importance and cherishes the hope that, in the future, this first step may be followed by other and more important steps.

*Ad Title and Preamble of the Convention.*

In view of the limited scope of its proposals, the Committee suggests that the title of the Convention should be altered. The title "General Convention to Improve the Means of Preventing War" seems fairly to represent the substance of the articles of the draft.

The Committee also proposes that the first paragraph of the Preamble should be worded as follows :

"Being sincerely desirous of developing mutual confidence by increasing the efficacy of the means of preventing war . . ."

*Ad Article 1. — Conservatory Measures of a Non-military Character.*

As in the preliminary draft drawn up by the Committee on Arbitration and Security, Article 1 of the Convention deals with conservatory measures of a non-military character.

The Committee has added to the first paragraph of the preliminary draft of the Committee on Arbitration and Security, to which only slight drafting amendments have been made, a second paragraph which received general approval when proposed by the Netherlands delegation in the Third Committee of the last Assembly. According to this paragraph, the Council "shall fix the period of duration of these conservatory measures" and "may extend this period should circumstances render it necessary".

On this question of the duration of the measures, the Committee shares the view expressed in the report of the Committee on Arbitration and Security that it would be impossible in a general convention to fix a maximum period of duration which would be applicable in all the possible contingencies, since these might take the most varied forms. It must be left to the Council's judgment to fix the period, and the Council must be able to extend it should circumstances render it necessary.

*Ad Article 2. — Conservatory Measures of a Military Character.*

The first question which the Committee had to consider was that of the sphere of application of the Convention as regards conservatory measures of a military character. Should they apply to cases of war and threats of war which are referred to in the first paragraph of Article 11 of the Covenant, or should they only apply to cases of a threat of war? During the exchange of views which took place in this connection in the Committee, it was pointed out that, as it was a question of conservatory measures intended to prevent war, it would appear somewhat illogical that the Convention should apply in the case of war. Three articles of the Covenant deal with the case of war — Articles 11, 16 and 17. The powers and duties of the Members of the League and of the Council are defined in these articles, which will be applied should occasion arise. The Committee accepted this point of view and decided to refer in Article 2 only to the case of a threat of war.

The Committee thought it advisable to limit the conservatory measures provided for in Article 2 : (1) to the withdrawal of the land or naval forces having entered the territory or waters of a contracting party or a zone demilitarised in virtue of international agreements, and (2) to the fixing by the Council, if it thinks necessary, of lines which must not be passed by the land, naval or air forces of the parties to the dispute and, where necessary in order to avoid incidents, by their civil aircraft.

The measures of the first category are dealt with in the first paragraph of Article 2. It was understood that those measures should be taken without delay. In this provision, the words "waters of a contracting party" are not to be interpreted in their technical sense. The point is to deal with a threat of war and consequently to prevent the immediate danger of an armed conflict. Furthermore, although air forces are not expressly mentioned in this paragraph, it goes without saying that they must withdraw in the same manner as the land or naval forces which they have accompanied.

The measures of the second category are dealt with in paragraphs 2, 3, 4 and 5 of the said article.

It is obviously impossible in a general convention to lay down stipulations providing for all the particular cases which may arise. The Council will determine within the limits of the Convention the details of the measures which it may prescribe. It will only recommend to the parties measures which are useful and practicable.

With regard to these measures, the French delegation explained that the "necessity" referred to in the second paragraph of Article 2 relates to the impossibility of contacts between the armed forces, and that the existence of a zone demilitarised in virtue of international agreements is sufficient to answer to this necessity. The German delegation stated that it was "necessary" to avoid, not only contact between the armed forces, but also "incidents" of all kinds on the frontiers of the contracting parties concerned.

As regards civil aircraft, the Committee only provided for the prohibition, as far as might be necessary, of the crossing by civil aircraft of the parties to the dispute of the lines fixed by the Council. Naturally, this clause does not affect each party's right, notably in case of a threat of war, to announce, in conformity with existing regulations, that it forbids foreign aircraft to fly over certain zones of its territory.

As regards the actual fixing of the lines which the forces must not pass, the Committee proposes the following procedure : The Council will endeavour to fix them in common agreement with the parties to the dispute. Failing such an agreement it shall fix them with the consent of the party whose forces are affected, provided always that this does not involve the withdrawal of the forces further back than the exterior lines of the defence organisations existing on the frontier of the contracting parties concerned at the time when the Council takes its decision, and that the lines

do not involve the abandonment of any other work, position or line of communication essential to the security or the supplies of the party concerned. The Committee was of opinion that the formula "essential work, position or line of communication" was sufficiently wide to include natural lines of defence and vital points.

In view of the fact that Article 2 applies to the case of threats of war, and that the Council must therefore take urgent action, the Convention lays down that it shall in every case rest with the Council to determine the period within which the said lines shall be fixed under the conditions specified above.

On the German delegation's proposal, the Committee decided to add to Article 2 a last paragraph under which the contracting parties agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents.

The Committee thinks that it has thus solved as far as possible the difficulties which have prevented the Committee on Arbitration and Security from reaching a single text.

In its observations, which have been forwarded to the Committee, the Austrian Government pointed out that "the creation of demilitarised zones would in its opinion constitute one of the most effective means of preventing the outbreak of hostilities". The British delegation expressed its sympathy with this point of view. But the Committee considered that it could not propose the generalisation of the system of permanent demilitarised zones in a general convention. It did not think it possible to recommend measures going further than the creation of a temporary demilitarised zone, subject to the conditions laid down in Article 2. It will always be open to two parties to create between them by agreement a demilitarised zone.

Nor did the Committee think it advisable to lay down in the Convention other conservatory measures than those indicated above. It thought that the Convention should be limited to the measures which in case of danger of war would appear the most urgent. The Polish delegation would have wished that it were possible to insert in the Convention another category of conservatory measures. Its proposal not having been accepted, the Polish delegation asked that the following declaration should figure in the present report :

"The Polish delegation proposed in its communication of May 11th, which was circulated to you at the beginning of our proceedings, that, in case of a threat of war, the Council should be able to recommend in the first instance to the contracting parties concerned that they should immediately put an end to any violation of an international obligation. The draft Convention prepared by the Drafting Committee provides only for certain particular cases of a flagrant breach of international engagements and gives the Council the necessary powers to put an end to violations of this kind. The Polish delegation desired to go further in this direction by authorising the Council to intervene in all cases of a violation of an international obligation, if this violation could constitute a peril to world peace. Our proposal met with the support in principle of nearly all the members of the Committee and was referred to the Drafting Committee.

"In the latter Committee, the Polish delegation found that the wording of this proposal seemed to the members of the Drafting Committee to have too general a character. By way of compromise, it therefore restricted the scope of its suggestion by specifying that it referred particularly to obligations connected with disarmament, these being of primary importance for the maintenance of peace. Despite this modification, and although the principle of our proposal was hardly contested by anyone, the Drafting Committee came to the conclusion that the present Convention, which only constitutes a first and modest step towards the development of the means of preventing war, could not include the idea which we had suggested. In the Drafting Committee's opinion, our proposal might be taken into consideration later and on another occasion.

"The Polish delegation continues, however, to think that the problem referred to in its proposal is of capital importance from the point of view of the prevention of war and of the maintenance of international order and that it should have constituted the pivot of the whole Convention, the other provisions having only a supplementary character. The text of the Convention which has been submitted to us by the Drafting Committee and which contains no trace of our suggestion cannot therefore be regarded by our Government as a truly effective means of preventing war. The provisions which we have before us do not appear to improve the present state of international security, since they do nothing more than consecrate the methods which have already been applied by the Council and which would be better placed in regulations relative to the Council's action in preventing the contact of the troops of adjacent countries in times of a threat of war. This observation applies in particular to Article 2, which contains, for example, a paragraph introduced on a German proposal and worded as follows :

"The High Contracting Parties further agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents."

"By inserting in the Convention provisions which are so self-evident and which are the outcome of previous obligations, the execution of the Pact of Paris, among others, it unintentionally subordinated to the new conditions, which will perhaps not be without harmful effect on the prestige of these obligations.

"We do not desire to continue the discussion on the subject, for this would unduly prolong our proceedings, which, according to the general desire, are to conclude to-morrow. The Polish delegation nevertheless feels it its duty to declare that it reserves the right to raise the same question again at the Assembly of the League of Nations and at the

Disarmament Conference. We shall then revert to our proposal ; for we are convinced that only a convention giving special powers to the Council to prevent the violation of international obligations can constitute a really useful instrument for the maintenance of peace and bring about an appreciable progress in the general organisation of international security."

The Yugoslav delegation endorsed the Polish delegation's point of view in so far as concerns disarmament obligations, and the French delegation, while expressing its regret that no provision would be inserted in the text of the Convention concerning the respect of the status of armaments resulting from international obligations, accepted the general opinion of the Committee that the question was foreign to the purpose of the Convention. The British delegation stated that, while it considered that the Polish proposal could find no place in the Convention as conceived by it, it desired to express its sympathy with this proposal, the examination of which might usefully be resumed on another occasion.

#### Ad Article 3. — Supervision.

The Committee was able to arrive at a single text in regard to the supervision of the execution of the measures laid down by the Council. Agreement was reached between those in favour of supervision in all cases and those in favour of supervision only in cases where this was considered expedient by the Council, on the following lines : the Council will appoint commissioners for the sole purpose of verifying on the spot the execution of the conservatory measures of a military character recommended by it under the conditions specified in Article 2, either if it thinks fit or if one of the parties to the dispute so requests.

In order to afford any parties which may consider it necessary, a guarantee that the measures will be supervised, and at the same time to prevent one of the parties from unnecessarily delaying the execution of those measures by alleging that the commissioners have not arrived on the spot, the Committee proposes : (1) That the request that commissioners should be sent may not be made by a party after the Council has taken one of the decisions referred to in Article 2 ; and (2) that, in arranging for the execution of the measures prescribed, the Council may, on the application of a contracting party a party to the dispute, accompanied by a statement of reasons, arrange for this execution to coincide, as far as it considers this necessary, with the arrival of the commissioners on the spot.

In order to take into account the legitimate pre-occupations of national security, it was decided that the inspection of the commissioners on the spot should be carried out for the sole purpose of verifying the withdrawal of the forces. They may not inspect military works or establishments for any other purpose, and naval or air bases will in every case be exempted from this inspection.

For the purpose of furnishing supplementary guarantees to the contracting parties and also with a view to the rapid application of the measures of supervision, if necessary, it is proposed that the rules to be followed for the constitution and working of commissions of control should be embodied in executive regulations which will be prepared by the competent organs of the League so as to enter into force at the same time as the present Convention.

#### Ad Article 4. — Sanctions.

The question of sanctions had been an even more serious obstacle than the question of supervision to the acceptance by the Committee on Arbitration and Security of a single text. The present Committee distinguished between two kinds of sanctions : (1) sanctions intended to ensure the execution of the Convention in cases where a contracting party violated the conservatory measures of a military character which it had undertaken to accept in accordance with Article 2, and (2) sanctions applicable to cases of recourse to war resulting from this violation.

As regards the measures to be taken in the first case, the Polish delegation proposed the following text : " If any violation of the measures defined in Article 2 is noted by the Council and continues in spite its injunctions, the Council shall consider what means of all kinds are necessary to ensure the execution of the present Convention. The High Contracting Parties shall in such case lend their assistance to the Council."

In the second case (resort to war following the violation of the conservatory measures of a military character), the French delegation proposed to the Committee on Arbitration and Security a text providing that, under certain conditions, the contracting parties would consider the action so taken as a flagrant and unprovoked act of aggression and as a resort to war within the meaning of Article 16 of the Covenant.

The Committee adopted a compromise proposal made by the British delegation to delete from the Polish proposal the clause to the effect that the contracting parties would lend their assistance to the Council in the event of violation maintained despite its injunctions, and to provide that, if war broke out as a consequence of this violation, they would regard the said violation as *prima facie* evidence that the guilty party had resorted to war within the meaning of Article 16 of the Covenant.

In speaking of *prima facie* evidence (*présomption*), the Committee had in mind a mere presumption (*présomption simple*) which does not preclude proof in refutation.

The Netherlands delegation pointed out that two different views might be taken of this latter proposal : either that the provision increased the obligation laid down in Article 16 of the Covenant or that it left the question of the application of that article intact.

In the first case, the Netherlands delegation held that this provision would not be in conformity with Article 16 of the Covenant, which left Members of the League free to decide whether the Covenant had been violated. In the second case, the Netherlands delegation was of opinion that a provision of this kind should not be incorporated in the Convention, but might be inserted in the Preamble, preferably in the form adopted in the conclusions of the Third Committee of the Assembly, which considered "that it should be understood that the question of the methods of applying Article 16 of the Covenant would remain intact, and that, on the other hand, the proposed Convention would result in facilitating such application".

The British delegation pointed out, and the Committee, with the exception of the Netherlands delegation, agreed with this view, that the text proposed by it, in the event of war following on a violation of the conservatory measures, fully met the wishes expressed by the Assembly. On the one hand, the question of the methods of application of Article 16 of the Covenant was left intact. In the case of resort to war, the Members of the League had the power and the duty to decide whether the obligations laid down in the Covenant had been violated. On the other hand, it could not be said that, if war broke out as a consequence of a violation of the obligations freely undertaken by a party in the proposed Convention, this violation did not furnish evidence — "*prima facie* evidence" to use the legal term — that the said party had resorted to war within the meaning of Article 16 of the Covenant. The Committee considered that the adoption of this provision would make it possible to give States parties to a dispute a solemn warning of the consequences of any ill-considered action on their part. By inserting the second paragraph in Article 4 of the Convention, the Committee would appear to have complied with the task entrusted to it by the Assembly: to leave the question of the methods of application of Article 16 of the Covenant intact and to make it clear that the proposed Convention would facilitate this application.

The Netherlands delegation made a reservation in regard to this second paragraph. The German delegation stated that it was reluctant to borrow the term "*prima facie* evidence", used in civil procedure, for the purpose of inserting it in the text of an international convention. It was afraid that the result would be to "mechanise" the system laid down in Article 16 of the Covenant.

*Ad Article 6. — Question of the Publicity of the Proceedings, Decisions and Recommendations of the Council.*

The Swedish Government, in the observations which it forwarded to the Committee, drew up the following draft article as a basis for discussion:

"The High Contracting Parties undertake to give wide publicity, in the cases referred to in Article 2 of the present Convention, to the Council's recommendations for the maintenance of peace and the settlement of the dispute, and to the statements on the dispute published by the Council.

"They further undertake to endeavour, so far as their national laws permit, to suppress all verbal or written propaganda designed to prevent a peaceful settlement of the crisis."

The Committee thought it desirable to retain the suggestion in the first paragraph of the Swedish proposal with certain modifications. It desired in particular to leave it to the Council to decide on the information in regard to which it would be desirable to ensure publicity. The essential object of the article is to prevent public opinion's receiving information from one side only.

As regards the proposal contained in paragraph 2, the Committee considered that it could not be inserted in the Convention in view of the wide diversity between national Press laws and the absence of common legislation.

The Committee suggested that the question might be laid before the Assembly, and the Polish delegation submitted the following recommendation:

"The Special Committee,

"Being aware of the danger which, in the event of an international crisis, may arise from irresponsible Press campaigns and publicity given in the Press to inaccurate or tendentious information;

"Recognising that aggressive propaganda against a foreign Power may in certain circumstances constitute a veritable threat to the peace of the world:

"Requests the Assembly to consider this problem and examine the possibilities of finding a solution."

*Article 7 reads as follows:*

"The provisions of the present Convention shall only apply as between the High Contracting Parties."

The Finnish Government, noting that "Article 11 of the Covenant and various other passages of that instrument also provide for intervention by the League of Nations in disputes not confined to Members of the League", proposed to submit for examination "the question as to whether Article 1 (of the draft Convention) should not be amended so as to apply if necessary, *mutatis mutandis*, to cases in which the League's organs may have to take cognisance of a dispute or threat of war also affecting non-member States". Further, in connection with Article 5 of the

preliminary draft of the Committee on Arbitration and Security (Article 7 of the draft Convention), the Finnish Government "desired to repeat its observations concerning Article 1 . . . ."

Obviously, it is legally impossible for the provisions adopted between the contracting States to have effects in regard to third States, whether Members of the League or not. The Committee, however, desires to point out that the case of a dispute affecting a State not a member of the League is referred to in Article 17 of the Covenant and that, moreover, States not members of the League may, if they so desire, accede to the proposed Convention. Article 9 of the draft put forward by the Committee provides for the communication of the Convention to non-member States. They may either sign it (Article 9) or accede to it (Article 11).

*Ad Article 12.*

The Committee did not think itself authorised to indicate the number of Members of the League of Nations or non-member States whose ratifications or accessions would be necessary for the entrance into force of the Convention. In its opinion, it is for the Assembly to take a decision on this point.

*Ad Article 14.*

The last paragraph of Article 14 regarding the effects of a denunciation of the Convention by a contracting party is based on precedents on this point.

The British delegation expressed the opinion that the text of this paragraph should be taken to mean that such denunciation will only affect the rights and duties under this Convention of the party denouncing, but, with respect to that party, will put an end to all such rights and duties one year after the date of denunciation. The Committee unanimously accepted this interpretation.

\* \* \*

The Committee ventures to express the hope that the Members of the League will think it desirable to give their delegates to the Assembly the necessary instructions to decide on the text of the draft General Convention. Governments which are disposed in principle to accept it will no doubt also consider that it might be advisable to give their delegates the necessary powers to sign the Convention, should it be approved by the Assembly.

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ANNEX 6.

DRAFT GENERAL CONVENTION TO IMPROVE THE MEANS  
OF PREVENTING WAR.

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[Names of the High Contracting Parties.]

Being sincerely desirous of developing mutual confidence by increasing the efficacy of the means of preventing war,

Noting that, for this purpose, the task of the Council of the League of Nations in ensuring peace and conciliation might be facilitated by undertakings assumed voluntarily in advance by the States,

Have decided to conclude a Convention and have for that purpose appointed as their plenipotentiaries :

[Designation of Plenipotentiaries.]

Who, having deposited their full powers found in good and true form, have agreed as follows :

*Article 1.*

The High Contracting Parties undertake, in the event of a dispute arising between them and being brought before the Council of the League of Nations, to accept and apply the conservatory measures of a non-military nature relating to the substance of the dispute which the Council, acting in accordance with the powers conferred upon it by the Covenant of the League of Nations, may recommend with a view to preventing the aggravation of the dispute.

The Council shall fix the period of duration of these conservatory measures. It may extend this period should circumstances render it necessary.



*Article 2.*

In the event of a threat of war, the High Contracting Parties, parties to the dispute shall comply without delay with such measures as the Council, acting in virtue of the provisions of Article 11 of the Covenant of the League of Nations, and without prejudice to the other powers it derives from that article, may prescribe to ensure the withdrawal of the land or naval forces of that High Contracting Party which has entered the territory or waters of another High Contracting Party, or a zone demilitarised in virtue of international agreements.

Further, should the Council deem it necessary to fix lines which must not be passed by their land, naval or air forces and, where necessary in order to avoid incidents, by their civil aircraft, the High Contracting Parties undertake to comply with the Council's recommendations in this matter.

The lines referred to in the previous paragraph shall, if possible, be fixed by agreement with the parties to the dispute.

Failing such agreement, the Council shall fix the lines with the consent of the party whose forces are affected, provided always that this does not involve the withdrawal of the forces further back than the exterior lines of the defence organisations existing on the frontier of the High Contracting Parties concerned at the time when the Council of the League of Nations takes its decision, and that the lines do not involve the abandonment of any other work, position or line of communication essential to the security or the supplies of the party concerned.

It shall in every case rest with the Council to determine the period within which the said lines shall be fixed under the conditions specified above.

The High Contracting Parties further agree to give strict orders to the commanders of their forces, if the Council so recommends, to take all necessary precautions to avoid incidents.

*Article 3.*

The Council shall, if it thinks fit, or if one of the parties to the dispute so requests before the Council has reached any of the decisions referred to in Article 2, appoint commissioners for the sole purpose of verifying on the spot the execution of the conservatory measures of a military character recommended by the Council under the conditions specified in the preceding article.

When regulating the execution of the measures it has prescribed, the Council shall, at the reasoned request of a High Contracting Party which is a party to the dispute, cause that execution to coincide with the arrival of the commissioners on the spot, so far as it may think necessary.

The High Contracting Parties undertake to afford these commissioners every facility for the performance of their duties.

The commissioners may not make a more extensive inspection than is necessary to enable them to carry out the duty defined in paragraph 1. Nor may they make any inspection of a naval or air base, nor may they inspect military works or establishments for any purpose other than to verify the withdrawal of the forces.

The rules to be followed for the composition and working of commissions of control shall be embodied in executive regulations which shall be prepared by the competent organs of the League of Nations so as to enter into force at the same time as the present Convention.

*Article 4.*

If any violation of the measures defined in Article 2 is noted by the Council and continues in spite of its injunctions, the Council shall consider what means of all kinds are necessary to ensure the execution of the present Convention.

Should war break out as a consequence of this violation, such violation shall be regarded by the High Contracting Parties as *prima facie* evidence that the party guilty thereof has resorted to war within the meaning of Article 16 of the Covenant.

*Article 5.*

In the cases referred to in Articles 1, 2, 3 and 4, the Council's decisions and recommendations shall, except as otherwise provided in those articles, be binding for the purposes of the present Convention, provided that they are concurred in by all the Members other than the parties to the dispute.

*Article 6.*

The High Contracting Parties undertake to provide, by means at their disposal, such publicity as the Council may recommend for its proceedings, decisions and recommendations when a dispute is brought before it in the cases contemplated by the present Convention.

*Article 7.*

The provisions of the present Convention shall only apply as between the High Contracting Parties.

*Article 8.*

The present Convention may not be interpreted as restricting the task or the powers of the Council of the League of Nations as laid down in the Covenant.

*Article 9.*

The present Convention shall remain open until ..... for signatures on behalf of any Member of the League of Nations or of any non-member State to which the Council of the League of Nations has communicated a copy of the Convention for this purpose.

*Article 10.*

The present Convention is subject to ratification. Ratifications shall be deposited with the Secretariat of the League of Nations.

The Secretary-General shall give notice of the deposit of each ratification to the Members of the League of Nations and to the non-member States mentioned in Article 9, indicating the date of its deposit.

*Article 11.*

As from ..... (date), any Member of the League of Nations and any non-member State mentioned in Article 9 on whose behalf the Convention has not been signed before that date may accede thereto.

Accession shall be effected by an instrument deposited with the Secretariat of the League of Nations. The Secretary-General of the League of Nations shall give notice of each accession to the Members of the League of Nations and to the non-member States mentioned in Article 9, indicating the date of the deposit of the instrument.

*Article 12.*

A *procès-verbal* shall be drawn up by the Secretary-General of the League of Nations as soon as ratifications or accessions on behalf of ..... Members of the League of Nations or non-member States have been deposited.

A certified copy of this *procès-verbal* shall be sent by the Secretary-General of the League of Nations to each Member of the League of Nations and to each non-member State mentioned in Article 9.

*Article 13.*

The present Convention shall enter into force on the ninetieth day after the date of the *procès-verbal* mentioned in Article 12 as regards all Members of the League of Nations or non-member States on whose behalf ratifications or accessions have been deposited on the date of the *procès-verbal*.

As regards any Member of the League or non-member State on whose behalf a ratification or accession is subsequently deposited, the Convention shall enter into force on the ninetieth day after the date of the deposit of a ratification or accession on its behalf.

Each of the High Contracting Parties shall have the right to inform the Secretary-General of the League of Nations at the moment of the deposit of his ratification or of the notification of his accession, to the exclusion of all other reservations, that he makes the entry into force of the Convention, in so far as he is concerned, conditional on ratification or accession on behalf of certain countries named by him.

*Article 14.*

The present Convention may not be denounced before the expiration of five years from its coming into force in accordance with Article 13.

Denunciation shall be effected by a notification in writing addressed to the Secretary-General of the League of Nations, who shall inform all Members of the League of Nations and the non-member States mentioned in Article 9.

Each denunciation shall take effect one year after the receipt by the Secretary-General of the notification, but only as regards the High Contracting Party on whose behalf it has been notified.

*Article 15.*

The present Convention shall be registered by the Secretary-General of the League of Nations as soon as it has entered into force.

*Article 16.*

The French and English texts of the present Convention shall both be authoritative.

IN FAITH WHEREOF the above-mentioned Plenipotentiaries have signed the present Convention.

DONE at ..... on the ..... in a single copy, which shall be deposited in the archives of the Secretariat of the League of Nations, and of which certified true copies shall be transmitted by the Secretary-General to all the Members of the League of Nations and to any non-member State to which the Council of the League of Nations has decided to communicate a copy of the present Convention, in accordance with Article 9.

Geneva, June 26th, 1931.

**LEAGUE OF NATIONS**

**Report by the Secretary-General to the Assembly  
on the  
WORK OF THE COMMISSION OF ENQUIRY  
FOR EUROPEAN UNION**

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I.

INTRODUCTION.

At its eleventh session (meeting of September 17th, 1930) the Assembly adopted the following resolution:

" The Assembly,

" Having noted with keen satisfaction the resolution adopted at Geneva on September 8th, 1930, by the representatives of the European Governments Members of the League of Nations;

" Being convinced, as they are, that close co-operation between the Governments of Europe in every field of international activity is of capital importance for the preservation of peace;

" Sharing their unanimous opinion that such co-operation, whatever form it may assume, should be within the framework of the League of Nations, in complete accord with the League and in the spirit of the Covenant:

" Invites the Governments of the European States Members of the League of Nations, acting, with the assistance of the Secretariat, as a Commission of the League, to pursue the enquiry which has already been begun, and of which the French memorandum of May 17th, 1930, and the replies thereto constitute the first elements;

" Reminds them that, in so far as such co-operation may seem to them to be useful for the pursuit of their enquiry, it is open to them to conduct this enquiry in conjunction with non-European Members and with non-member Governments;

" And requests that the first results of this enquiry should, in so far as is possible, be embodied in the form of definite proposals in a report which should be prepared in time to allow of its submission to the next Assembly."

Immediately after the adoption of this resolution, the President of the Assembly made the following statement:

" I am sure that I am expressing the unanimous opinion of the Assembly in adding that those States Members of the League which are not represented on the Commission just set up should, nevertheless, be entitled to send observers to the Commission's meetings, so that they may submit their views, should they think fit. I take it that the Assembly approves this proposal."

II.

SURVEY OF THE WORK DONE BY THE COMMISSION OF ENQUIRY.

The Commission of Enquiry held its first session on September 23rd, 1930. It elected as its President, M. Briand, Minister for Foreign Affairs of the French Republic. The Secretary-General of the League was appointed Secretary of the Commission. It was decided that the Commission

should consist of a representative of each of the States Members of the Commission, and that these States should be free to appoint deputy representatives.

The date of the second session of the Commission was fixed for January 1931—a few days before the meeting of the Council of the League. The Secretary-General was requested to collect all useful information which, added to the material the Commission already had at its disposal, would enable it to estimate the task ahead of it. The Secretary-General was also requested to submit, if necessary, a report on the work of the Second Conference with a View to Concerted Economic Action, to be held on November 17th, 1930. Finally, the Commission decided to take the name of "Commission of Enquiry for European Union".

The second session of the Commission was held from January 16th to 21st, 1931. Between the first and second sessions the Secretary-General had communicated to the Members a report, dated December 19th, 1930, giving an account of certain technical questions (already dealt with by the League or at the time under consideration) with a direct or indirect bearing on the economic crisis. A summary of this report is to be found in Appendix I.

The Commission also received a memorandum from the International Labour Office on certain questions dealt with by that Office of special interest to European States. A summary of this memorandum is to be found in Appendix II.

The Commission received proposals from a number of Governments; and M. Colijn, president of the Second International Conference with a View to Concerted Economic Action, made a statement on the work of this Conference (see the Commission's Minutes, document C.144.M.45.1931.VII, of February 16th, 1931).

The Commission adopted a number of resolutions (see Appendix III) and instructed its President to submit them to the Council of the League of Nations and to ask it to be good enough to note them and to authorise the technical organisations and the Secretary-General of the League to take the action required. The Council on January 23rd, 1931, gave the authorisation required and authorised the technical organisations and the Secretary-General of the League to take the necessary action to put the resolution into operation.

Below are the texts of the various resolutions adopted at the second session, together with the action taken on them in each case.

#### RESOLUTION No. I.

"The Commission of Enquiry for European Union:

"Having regard to the resolution of the Assembly of the League of Nations of September 17th, 1930:

"Decides to study the world economic crisis, in so far as it affects the European countries as a whole, and to invite, through the Secretary-General, the Governments of Iceland, Turkey, and the Union of Soviet Socialist Republics to participate in this study."

#### *Action taken.*

The Governments of Iceland, Turkey and the Union of Soviet Socialist Republics have accepted the invitation sent to them in accordance with the terms of this resolution.

#### RESOLUTION No. II.

"The Commission of Enquiry for European Union:

"Recognising the exceptional gravity of the crisis through which the agricultural countries of Central and Eastern Europe are passing, and the necessity of remedying this situation in Europe, without awaiting those more far-reaching solutions which it trusts will be devised and for which the Wheat Conference, to meet in Rome on March 26th, 1931, is to prepare:

"Is of opinion that this situation could be greatly improved if the authorised representatives of the European countries affected (grain-exporting countries of Central and Eastern Europe and European importing countries) were to meet at an early date and make a common effort to find means of *disposing of the grain surplus at present available*. The meeting would be called on the sole initiative of the President of the Commission of Enquiry for European Union, and its conclusions would be put into effect without further reference to the Commission of Enquiry."

#### *Action taken.*

In execution of this resolution a Conference of the grain-exporting countries of Central and Eastern Europe and of certain European importing countries was held on February 23rd, under the chairmanship of M. François-Poncet (France), and a Final Act was signed by seventeen countries. The Final Act states that the wheat surpluses from the 1930 harvest represent only a small part of the needs of the European countries which import wheat. It further noted that both the representatives of the countries which normally buy foreign wheat and those of the

countries which do not import foreign wheat, or do not usually import wheat from the countries under consideration, are willing to participate to the utmost possible extent in the purchase of the stocks of wheat recognised to be available in those countries or in some of them. As regards the details of the commercial operations which will have to take place and the terms of the contracts which will bind the purchasers to the vendors and will define the conditions governing their transactions, the Conference recognised that, in view of the great diversity of cases, it would be difficult for the Conference itself to prescribe an identical solution for all; but the signatories, being prepared to reserve a certain proportion of their imports of foreign wheat for wheat originating in the countries under consideration, undertook to initiate without delay the negotiations necessary to enable those transactions to be carried out, and thus to justify to the full the confidence which the Commission of Enquiry for European Union had placed in them. The results of their efforts were to be communicated to the Commission of Enquiry for Economic Union at its forthcoming sessions.

The Conference studied in the same spirit the figures relating to the surpluses of maize and barley. It noted that these surpluses, which were concentrated in a smaller number of countries, were less as a whole than the aggregate import requirements of European countries for the current year.

It further noted that the importing countries were prepared, as in the case of wheat, to reserve part of their imports of foreign maize and barley for maize and barley originating in the countries concerned. It noted with satisfaction that large purchases had already been or were now being made, and that certain countries had taken special measures which, if applied in a liberal spirit, would facilitate the disposal of the stocks of certain exporting countries. The Conference was of opinion that action similar to that contemplated in the resolution relating to wheat should be taken by the European countries which were concerned in the importation of maize and barley. The Conference reserved the examination of the question of rye and oats.

### RESOLUTION No. III.

“ The Commission of Enquiry is of opinion that there will still remain an important question for solution. The measures taken for the disposal of the 1930 harvest and those contemplated below for the establishment of agricultural credit unaffected leave the problem of the *export of future harvest surpluses unaffected* :

“ (a) The Wheat Conference, which is to meet at Rome in March 1931, will no doubt make suggestions of the utmost importance in regard to the world situation.

“ The Commission of Enquiry trusts that the overseas countries affected will consent to take part in this Conference, so that the problem may be examined in all its aspects.

“ (b) As regards Europe, it is necessary to set up a Committee to study all measures capable of leading to the desired result, including tariff arrangements.

“ This Committee will be composed of eleven members—namely, the representatives of Austria, Belgium, the British Empire, Czechoslovakia, Estonia, France, Germany, Italy, Norway, Switzerland and Yugoslavia. The Secretary-General of the League of Nations will be asked for the assistance of the technical committees, and the International Institute of Agriculture will also be asked to help. The Committee will be summoned very shortly at the instance of the President of the Commission of Enquiry for European Union. It will work as rapidly as possible, and its conclusions will be submitted to the Commission of Enquiry for European Union.”

#### *Action taken.*

The Committee for which this resolution provided met on February 26th, 1931, under the chairmanship of M. François-Poncet (France). It recognised that the disposal of surplus European cereals was not merely a European but a world problem, and that a wholly satisfactory solution could be reached only by an understanding between all the parts of the world concerned. As compared with the pre-war figure, the total cereal-growing areas of Europe have not increased, although the yield is slightly greater. There is no over-production in Europe; there is over-production in the world as a whole, and, in view of the circumstances in which that over-production has taken place and the re-entry of Russian cereals into the market, it is clear that the resultant crisis would not settle itself until after a long lapse of time and at the cost of great suffering.

The Committee therefore considered that it was in the interest of producers in every continent to act together with a view to checking the speed of the crisis. One of the results of the Wheat Conference held at Rome on March 26th, 1931, was that the grain exporting countries decided to meet in May.

The Committee entered upon the study of the proposals made to improve the European situation, and in the first place examined the Customs privileges that the exporting countries of Central and Eastern Europe, which attach the greatest importance to them, asked certain European countries to grant.

On this subject, the Committee took into consideration the work already accomplished by a Committee of the Conference for Concerted Economic Action held at Geneva in November 1930, the findings of that Committee as a result of its work being still valid. It also learned that practical attempts on the lines in question were shortly to be made by several European countries, which stated that they intended to carry them out with due reference to the definitions and the safeguards laid down in the Annex to the Final Act of the November Conference.

The Committee then turned its attention to other measures which seemed to it calculated to facilitate the regular disposal of the surplus cereals in question by improving the conditions of sale. In particular, it thought that conditions and costs of transports which limit the area in which these cereals can be disposed of would have to be examined by the national administrations of the transit and import countries.

The Committee felt that these measures—the effect of which, though no doubt limited, would nevertheless be far from negligible—might with advantage be supplemented by banking measures relating to sales and purchases of cereals and methods of payment. Thus it might be possible to contemplate for the discounting of bills a better use of markets in which the rate of interest is low, the warranting of goods and possibly the introduction of the system of negotiable transport documents.

The Committee also noted with satisfaction the progress recently made by exporting countries in the organisation of their exports of cereals. It expressed the hope that these efforts would be continued.

As regards the purchasing countries, it also expressed the hope that statistics would be collected more rapidly and in greater detail, in order to enable available stocks and requirements to be estimated at all times with greater certainty. Closer collaboration between the public services and private trade would also facilitate and render more fruitful negotiations with the organisations of selling countries.

As the Committee pointed out, several purchasers had expressed the hope that certain kinds of Danubian wheat would be better adapted to the requirements of the milling trade in their respective countries. They stated that action on these lines would undoubtedly lead to increased business and higher prices.

The Committee recommended that, agricultural phenomena being by their very nature liable to change, the problems arising out of the production of and trade in cereals in Europe might, if found necessary and at the most suitable time, be made the subject of further consultations under the auspices of the Commission of Enquiry for European Union.

#### RESOLUTION No. IV.

“ With regard to *agricultural credit*, the Commission of Enquiry for European Union finds that the investigation of this question has been carried far enough for a detailed scheme to be drawn up.

“ The Financial Committee has made a very interesting report to the Commission of Enquiry, and the latter notes that the Financial Committee is to continue its investigation.

“ It considers it highly desirable that a complete scheme of executory measures should be submitted to the Council of the League of Nations in May next in such detail that, if approved by the Council, it can be put into effect forthwith.

“ The Commission of Enquiry accordingly decides to appoint a Committee of eleven members—namely, the representatives of the British Empire, Bulgaria, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland, Roumania and Sweden—which will, if necessary, hear the views of the representatives of the other countries concerned.

“ This Committee will watch the work of the Financial Committee and keep in touch with the matter in order that a detailed programme, both financial and legal, may be submitted to the Council of the League of Nations at its session in May next, so that it may deliberate with full knowledge of the facts and prescribe prompt executory measures should it so decide.”

#### *Action taken.*

The Sub-Committee for Agricultural Credit met on April 20th, 1931, under the presidency of M. François-Poncet (France), and again on May 13th, 1931, under the presidency of Mr. W. R. Smith (Great Britain) to examine a draft Convention, Charter and Statutes relating to an International Agricultural Mortgage Credit Company. These documents had been prepared by a delegation of the Financial Committee of the League of Nations.

Subsequently, at its meeting in May, the Commission examined these documents and recommended them to the Council, which adopted them. A summary of these documents, which have been communicated to all the States Members of the League (document C.375.M.155.1931.II.A.), will be found in the Secretary-General's report on the work of the Council. The Convention after its approval by the Council was opened for signature at one of the meetings of the Commission of Enquiry and was immediately signed by sixteen States.

#### RESOLUTION No. V.

“ The Commission of Enquiry for European Union:

“ Being strongly of opinion that the result of the putting into force of the *Commercial Convention* of March 24th, 1930, would be to create such an atmosphere of stability and confidence as would enable the execution of the programme of future negotiations also drawn up on March 24th, 1930, to be usefully prosecuted and extended:

“ Counts upon its members to do all in their power to ensure that the said *Commercial Convention* is speedily put into force; and

“ Trusts that the bilateral negotiations opened in consequence of the Conference with a View to Concerted Economic Action of November 1930 may be actively pursued.”



*Action taken.*

The Commission, as such, was not called upon to take any action on this resolution.

RESOLUTION No. VI.

“ The Commission of Enquiry for European Union:

“ Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing ;

“ Requests the Secretariat of the League of Nations to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly.”

*Action taken.*

At its second session (May 1931), the Commission had before it a preliminary report on certain phases of the economic depression, prepared by the Economic and Financial Organisation, and a report by the International Labour Office on the question of unemployment in its bearing upon the interests of the workers; it also received memoranda from the International Institute of Agriculture. The essential points in these reports are summarised in Appendices IV, V and VI.

RESOLUTION No. VII.

“ A Committee is set up, consisting of the representatives of the British Empire, Denmark, Finland, France, Germany, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia.

“ This Committee will examine the constitution, organisation and procedure of the Commission of Enquiry for European Union. The other questions on the agenda of the Commission will also be submitted to this Committee.”

*Action taken.*

The Organisation Sub-Committee met on March 24th under the chairmanship of M. Briand. On the proposal of its Rapporteur, M. Motta (Switzerland), it adopted a report on the constitution, organisation and procedure of the Commission of Enquiry for European Union. The following are the principal points in this report, the text of which will be found in Appendix VII.

The Commission of Enquiry for European Union is a League Commission, and it is its duty, as such, to report to the Council and Assembly, which will decide what action is to be taken on its resolutions. Under these conditions, therefore, the Commission may secure the assistance of the technical organisations and advisory Committees of the League. Those States Members of the League which are not represented on the Commission are entitled to send observers to its meetings and submit their views, should they think fit. These States share, moreover, in the general supervision exercised by the Council and the Assembly over all the Commission's proceedings.

Acting as a League Commission, the Commission of Enquiry is subject, generally, to the usual rules for such Commissions, but it has already made special rules of its own. For example, it has already agreed that each Government may be represented by a delegate and, if it so desires, by a deputy-delegate. It has already invited certain European Governments, not members of the League, to take part in the study of the world economic crisis in so far as it affects the European countries as a whole. It has set up *ad hoc* Committees of its own members to deal with special questions. It retains the right to set up other such committees in future, on the understanding that, in each case, it will decide upon their composition, the subject with which they are to deal, and their duration. In each case, such committees should include representatives of the States specially interested in the question under consideration. Any Member who may wish to place a question on the agenda of any session will be asked to inform the Secretary-General not less than one month before the opening of the session. With the Chairman's approval, the Secretary-General could then send out a provisional agenda to all Members three weeks before the beginning of the session. Every request to have a question placed on the agenda should be accompanied by a statement specifying in detail the subject in question and its European aspects. At the first meeting of each session the Commission would fix its final agenda, and questions which were referred to the Commission but were not on the provisional agenda could not, of course, be discussed at the current session, unless, for reasons of urgency, the Commission so decided. The Commission could always refer any question submitted to it to an *ad hoc* sub-commission for a preliminary opinion before deciding whether to place it on the agenda. The Commission has already laid it down that, in principle, its proceedings shall be public. It might be arranged that, following the practice of the League Council, the Commission shall hold a private meeting at the beginning of each session for the purpose of fixing the final agenda.

Each year, after the Assembly of the League of Nations, the Commission would elect its Chairman and its Vice-Chairmen. The Secretary-General of the League of Nations would always act as Secretary to the Commission.

RESOLUTION No. VIII.

"As the result of our discussions and conversations during the last few days concerning the problems which our Governments have respectively to face, it has become plain that economic recovery is now being hindered by lack of confidence in the course of future events due to widespread political anxiety. That anxiety has been increased by irresponsible talk in various quarters concerning the possibility of international war.

"We recognise that there are political difficulties in Europe at the present time, and that these difficulties have been accentuated by the economic instability and unrest which the world economic depression has caused. The best service we can render towards the improvement of the economic position is the firm assurance of European peace. We therefore declare, as Foreign Ministers or responsible representatives of European States, that we are more than ever determined to use the machinery of the League to prevent any resort to violence."

*Action taken.*

The Commission as such was not called upon to take any action on this resolution.

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The third session of the Commission was held from May 15th to 21st. The Commission at the outset adopted the report of the Organising Sub-Committee and decided to transmit it to the Assembly.

The Commission, on the recommendation of the Organising Sub-Committee which had before it a proposal by the Polish Government to this effect, invited the Free City of Danzig to participate, so far as is permitted by its legal status and by the agreements existing between Poland and the Free City of Danzig, and in the form prescribed by those agreements, in the work undertaken regarding the study of the world economic crisis.

As regards economic questions, the Commission's agenda included the reports of the Sub-Committees submitted between the second and third sessions, the reports of the Secretariat and of the International Labour Office, memoranda supplied by the International Institute of Agriculture and a report by M. Colijn, President of the Second International Conference with a View to Concerted Economic Action, on the results of that Conference.

Furthermore, the Commission had before it two proposals by the German Government: (1) concerning the direction to be given to Customs policy in Europe and (2) concerning Customs exemption for liquid fuel used for motor vehicles crossing land, air, sea or river frontiers. As regards the first of these questions, the German Government thought that the position created by the present Customs conditions in Europe and by the failure of the Commercial Convention of Geneva of March 24th, 1930, should be examined, and stated that it would make a communication with regard to the objects which it sought to achieve in this field, in agreement with the Austrian Government. It further expressed the opinion that the possibilities of improving European commercial relations by means of preferential Customs tariffs should be further examined.

The Italian Government had also inserted in the agenda the question of considering at the first favourable opportunity the most suitable procedure for bringing the Commercial Convention of March 24th, 1930, into effect without delay, and securing the accession to it of the largest possible number of European Governments.

The Belgian Government had had included in the agenda the questions of the extended application of the principle on which the Commercial Convention of 1930 is based, the treatment of foreigners and the transport and transit of electric power.

During the session, the French Government submitted to the Commission a constructive plan for the solution of the most urgent economic problems in Europe.

The Government of the Union of Soviet Socialist Republics submitted a draft Pact of Economic Non-Aggression.

A number of other Governments submitted suggestions relating to these various questions.

On the basis of this documentation and as a result of exhaustive discussion, the Commission, being desirous of studying all methods capable of remedying the crisis now weighing upon European countries, the continuance of which would cause increasing distress and misery, and being convinced that the solution of this problem must be sought in ever more intimate economic co-operation between the States of Europe and the whole world, adopted a series of resolutions (see Appendix VIII). The resolutions propose, among other things, the establishment of a certain number of sub-committees for executive action or research of recognised utility. The Council of the League of Nations, under which the sub-committees have been placed, has given the requisite authority and made available the necessary grants.

LIST OF APPENDICES.

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- Appendix I.* — Summary of the Report by the Secretary-General (document C.144.M.45.1931.VII) on Certain Technical Questions which have been dealt with by the League of Nations.
- Appendix II.* — Summary of the Memorandum from the International Labour Office (document C.144.M.45.1931.VII) on Certain Questions dealt with by that Office of Special Interest to European States.
- Appendix III.* — Resolutions adopted by the Commission of Enquiry for European Union at its Second Session in January 1931 (document C.144.M.45.1931.VII).
- Appendix IV.* — Summary of the Preliminary Report (document C.284.M.134.1931.VII) on Certain Phases of the Economic Depression.
- Appendix V.* — Summary of the Memorandum from the International Labour Office (document C.275.M.127.1931.VII) on the Question of Unemployment in its Bearing on the Interests of the Workers.
- Appendix VI.* — Memoranda submitted by the International Institute of Agriculture (document C.323.M.148.1931.VII).
- Appendix VII.* — Report of the Organisation Sub-Committee (document C.204.M.82.1931.VII).
- Appendix VIII.* — Resolutions on Economic Questions adopted by the Commission of Enquiry for European Union at its Third Session, in May 1931 (document C.395.M.158.1931.VI. Extract).
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Appendix I.

SUMMARY OF THE REPORT BY THE SECRETARY-GENERAL ON CERTAIN TECHNICAL QUESTIONS WHICH HAVE BEEN DEALT WITH BY THE LEAGUE OF NATIONS.<sup>1</sup>

As regarded the past, questions had been selected in the solution of which special interest had been shown by European States. As a criterion of special interest may be taken the fact that a Convention had been ratified, or carried into effect, principally or solely by European States, or the fact that a Conference had been summoned by the Council on a purely European basis, or, alternatively, that European States had solely or principally elected to attend a Conference open to all.

As regarded work actually in hand, the questions described had been chosen from amongst those already entrusted to the technical organisations and which appeared at that moment to have a special value for European States or to need for their solution special action by European States. In view of these considerations, the Economic and Financial Section and the Transit and Health Sections had prepared descriptions of their work on the bases indicated.

\* \* \*

The Economic and Financial Section drew attention to the following points:

1. For the progressive execution of the programme of concerted economic action, great importance attached to the putting into force of the *Commercial Convention*, a decision as to which was to be taken at a Conference to be held on March 16th, 1931.
2. Equal importance attached to the *results of the negotiations* which were to be begun, as a sequel to the second Conference which had taken place in November 1930, between Great Britain on the one hand, and those continental countries which are the principal importers of British goods on the other.
3. It was desirable to resume consideration of the *Convention for the Abolition of Prohibitions* with a view to an effort to find a solution for the special obstacles which prevented the Convention—after it had received the ratifications of eighteen European States and of Japan and the United

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<sup>1</sup> Document C.144.M.45.1931.VII.

States of America—from coming into force under conditions enabling it to have its full effect in Europe.

4. In view of the serious situation of agriculturists, particularly in the countries of Central and Eastern Europe, owing to the absence or defective organisation or excessive cost of *agricultural credit*, the last Conference with a View to Concerted Economic Action had explicitly requested the Council to treat this question as urgent, particularly in the case of the countries mentioned above where these difficulties were exceptionally grave. Certain European countries had already arrived at agreements on various aspects of the agricultural problem.

On points 1, 2 and 3, the President of the Conference with a View to Concerted Economic Action, M. Colijn (Netherlands), made a statement to the Commission explaining the principal questions which had remained pending after that Conference.

5. The Fiscal Committee, being a permanent organ of the League and including in its composition the most qualified experts, was able, thanks to its studies of model conventions for the avoidance of *double taxation and tax evasion*, to offer valuable assistance to all countries desirous of concluding conventions of this kind with one another, whether bilateral or plurilateral.

6. The Financial Committee, a body which had given numerous proofs of its competence, was at the disposal of the Council (as expressly stated in its last report) for the purpose of consultation and advice to any country or group of countries desiring such on all questions within its competence.

7. The statistical and economic intelligence service was organised so as to supply accurate details, not only in regard to the position and relations of the various countries whether Members of the League or not, but also in regard to the relations of the various *continents* considered as such and, in particular, the relations between Europe and the rest of the world.

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Among the questions under consideration by the *Communications and Transit Section*, the Secretary-General's report cited the International Status of Broadcasting, the European Conference on Road Traffic, Air Transport Co-operation, and the Unification of European River Law, the first European Conference on which had just come to an end.

Further, the Transit Organisation has under consideration—again in conjunction with the Conference with a View to Concerted Economic Action—the questions of the transport of agricultural products, the rationalisation of transport and the adjustment of railway tariffs with a view to indirect protection.

Among the subjects dealt with in the past, the report mentioned the studies of the position of inland navigation in Europe, particularly on the Rhine and Danube, and the questions of competition between waterways and railways, the international passport regime, etc., the unification of tonnage measurement in inland navigation in Europe, and the European Conference on Cards for Emigrants in Transit.

It was pointed out that the Statute of the Communications and Transit Organisation allowed the Council of the League to summon limited conferences, to which only States specially interested in particular questions would be invited.

The report finally pointed out the following facts:

A substantial part of the constructive work of the *Health Organisation* has been done in Europe, partly because modern methods of hygiene and preventive medicine are well known there, and partly because the great war had a detrimental influence on health conditions in Europe, that called for immediate remedial measures. The experience gained in dealing with this situation has since been available and of use for countries outside Europe.

In 1922, a Conference of representatives of European Powers, organised by the League, met at Warsaw to devise means of checking the epidemics then rife in Eastern Europe, as a result of famine, movements of populations and post-war repatriation.

Information concerning epidemics is distributed regularly from Geneva and Singapore. This proved of value to the national health administrations in Europe in checking influenza in 1926, 1927 and 1929.

The Council has recently decided to convene, in April 1931, a European Conference on rural hygiene considered as one of the most important factors in raising the standard of living in rural areas. Preparatory work has been and is being done in view of this Conference. Invitations have been issued to the Governments of non-European States which have a special interest in rural problems to send observers to the Conference.

Comparative studies of various diseases of world importance have been made in Europe, owing to the greater facilities for research; cancer, malaria, infant mortality are examples.

Health insurance, which was first applied in Europe, is another subject of which a study has been made by the Health Organisation.

Appendix II.

SUMMARY OF THE MEMORANDUM FROM THE INTERNATIONAL LABOUR OFFICE  
ON CERTAIN QUESTIONS, DEALT WITH BY THAT OFFICE, OF SPECIAL  
INTEREST TO EUROPEAN STATES.<sup>1</sup>

This Memorandum pointed out that the World of Labour, of which the International Labour Office has assumed the protection, cannot remain indifferent to any project for a European Union; nor can any such project be undertaken or come to fruition without its co-operation. This Memorandum also pointed out that the list of questions already under study by the International Labour Office with a view to fostering their solution included some which were of an essentially European character, although it was impossible to maintain that any question, strictly speaking, was the exclusive concern of Europe. The principle of the International Labour Organisation, as of the League of Nations, was universality, and there was probably no single labour question which affected only this or that continent. But there were, nevertheless, questions which were principally the concern of Europe, and this Memorandum mentioned among the questions of such a character, the conditions of labour in the coal-mining industry. The effects of the coal crisis had first been felt in Europe, and the need for economic understanding was most clamant in the case of the European producers of coal. But economic understanding was only possible in conjunction with an understanding in regard to the conditions of labour. It was in this connection that the question was brought before the International Labour Organisation by the Assembly of the League of Nations in September 1929. A Preparatory Technical Conference had been called to study the conditions of labour in coal-mines with a view to deciding in what cases international regulation was possible. The Conference was to include representatives of the Governments and of the employers and workers in the principal coal-producing countries of Europe. It laid down the initial outlines of an agreement on the hours of labour in the mines. The International Labour Conference was to take up the question again at its session in June 1931, in the hope of being able to draft a convention which, though doubtless applicable to coal-mines in all countries of the world, would, nevertheless, in the first instance, be applied to the coal-mines of Europe.

Another question which was no doubt of world interest but which called primarily for solution in Europe was that of the conditions of labour on the shipping of great rivers. An international convention on this question was required primarily for Europe, since it is in Europe that great international rivers flow, requiring regulation of the conditions of labour on both sides of the frontiers which they traverse. The International Labour Organisation had worked in conjunction with the International Organisation for Communications and Transit of the League of Nations. A Committee of Experts appointed by the Governing Body of the International Labour Office had met and considered two questions susceptible of international settlement—the hours of labour and the question of social insurance. The International Labour Office prepared reports on these two questions. The Committee would then decide whether a proposal should be made to one or other or both of these questions on the agenda of a future session of the International Labour Conference.

The International Transport Federation brought before the International Labour Organisation the question of the prevention of accidents in connection with the coupling of railway-wagons, and the desirability of considering whether the customary methods of coupling should not be replaced on the great European railway systems by the methods of automatic coupling already in use in North America and Japan. A temporary Commission is studying this question.

The Memorandum dealt with three other more general questions of special interest for the Continent of Europe.

In the first place, there is the question of the movements of labour from one country to another, the ideal being undoubtedly the free circulation of individuals from one country to another and their free establishment at any point on European territory. If the establishment of this freedom is not to be economically injurious to any European country, it must be organised. The question has already been studied by the Emigration Commission set up by the Governing Body of the International Labour Office. It would no doubt shortly be placed on the agenda of the International Labour Conference. It would then be possible to conceive of two conventions, one for movements of labour within the Continent of Europe and the other for movements of labour outside Europe.

A cognate problem was that of compensation for accidents to wage-earners of foreign nationality in connection with their work. This is governed by an International Labour Convention passed in 1925. Of the twenty-six States which have ratified the Convention, twenty-two are European States. It remained to adapt the general rules contained in this Convention to the particular circumstances arising out of the closer solidarity existing between the European States. The same principles might one day be applied to the retention of the right acquired to a pension on account of invalidity, etc., by wage-earners who have worked in several countries and been insured under various national insurance schemes.

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<sup>1</sup> Document C.144.M.45.1931.VII.

The Memorandum points out that, if in order to mitigate the evils of unemployment which is prevalent throughout the world and especially in Europe, the possibility of reducing or even completely abolishing tariffs between European countries were considered, such rationalisation would bring in its train, together with many advantages, certain temporary evils. It would mean the extinction of certain "artificial" industries which have grown up in some countries behind the shelter of Customs barriers, and could not survive a system of complete free trade. The International Labour Office has already undertaken certain Enquiries regarding measures of compensation and adaptation. These would be labour questions peculiar to Europe.

The Memorandum finally deals with the agricultural crisis and points out that the International Labour Organisation must have a say in it, since it must know how far the present agricultural depression affects living conditions among agricultural labourers.

The Memorandum speaks of the nature of the International Labour Organisation which is composed of representatives of the Governments, the employers and the workers. The characteristic feature of its procedure is the essential part played by the legislative authorities of each Member State. It is these authorities which, in each country, are called upon to approve the draft conventions adopted by the International Labour Conference and to sanction them by the international undertaking which is the outcome of ratification. This procedure should apply universally to the States Members of all the continents, but although universal, this Organisation can deal with particular questions, and the Memorandum asserts that labour questions particularly affecting European States could more usefully be treated by the International Labour Organisation than by the Commission of Enquiry through any diplomatic procedure that might be set up with a view to enabling the European Union to function. Any rivalry between the two powers must be prevented and close co-ordination must be established between the work of the International Labour Organisation and that of the European Union in the field of the protection of labour.

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### Appendix III.

## RESOLUTIONS ADOPTED BY THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION AT ITS SECOND SESSION IN JANUARY 1931.<sup>1</sup>

### I.

The Commission of Enquiry for European Union:

Having regard to the resolution of the Assembly of the League of Nations of September 17th, 1930:

Decides to study the world economic crisis, in so far as it affects the European countries as a whole, and to invite, through the Secretary-General, the Governments of Iceland, Turkey, and the Union of Soviet Socialist Republics to participate in this study.

### II.

The Commission of Enquiry for European Union:

Recognising the exceptional gravity of the crisis through which the agricultural countries of Central and Eastern Europe are passing, and the necessity of remedying this situation in Europe, without awaiting those more far-reaching solutions which it trusts will be devised and for which the Wheat Conference, to meet in Rome on March 26th, 1931, is to prepare:

Is of opinion that this situation could be greatly improved if the authorised representatives of the European countries affected (grain-exporting countries of Central and Eastern Europe and European importing countries) were to meet at an early date and make a common effort to find *means of disposing of the grain surplus at present available*. The meeting would be called on the sole initiative of the President of the Commission of Enquiry for European Union, and its conclusions would be put into effect without further reference to the Commission of Enquiry.

### III.

The Commission of Enquiry is of opinion that there will still remain an important question for solution. The measures taken for the disposal of the 1930 harvest and those contemplated below for the establishment of agricultural credit *leave the problem of the export of future harvest surpluses unaffected*:

(a) The Wheat Conference, which is to meet at Rome in March 1931, will no doubt make suggestions of the utmost importance in regard to the world situation.

The Commission of Enquiry trusts that the overseas countries affected will consent to take part in this Conference, so that the problem may be examined in all its aspects.

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<sup>1</sup> Document C.144.M.45.1931.VII.



(b) As regards Europe, it is necessary to set up a Committee to study all measures capable of leading to the desired result, including tariff arrangements.

This Committee will be composed of eleven members—namely, the representatives of Austria, Belgium, the British Empire, Czechoslovakia, Estonia, France, Germany, Italy, Norway, Switzerland and Yugoslavia. The Secretary-General of the League of Nations will be asked for the assistance of the technical committees, and the International Institute of Agriculture will also be asked to help. The Committee will be summoned very shortly at the instance of the President of the Commission of Enquiry for European Union. It will work as rapidly as possible, and its conclusions will be submitted to the Commission of Enquiry for European Union.

#### IV.

With regard to *agricultural credit*, the Commission of Enquiry for European Union finds that the investigation of this question has been carried far enough for a detailed scheme to be drawn up.

The Financial Committee has made a very interesting report to the Commission of Enquiry, and the latter notes that the Financial Committee is to continue its investigation.

It considers it highly desirable that a complete scheme of executory measures should be submitted to the Council of the League of Nations in May next in such detail that, if approved by the Council, it can be put into effect forthwith.

The Commission of Enquiry accordingly decides to appoint a Committee of eleven members—namely, the representatives of the British Empire, Bulgaria, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland, Roumania and Sweden—which will, if necessary, hear the views of the representatives of the other countries concerned.

This Committee will watch the work of the Financial Committee and keep in touch with the matter in order that a detailed programme, both financial and legal, may be submitted to the Council of the League of Nations at its session in May next, so that it may deliberate with full knowledge of the facts and prescribe prompt executory measures should it so decide.

#### V.

The Commission of Enquiry for European Union:

Being strongly of opinion that the result of the putting into force of the *Commercial Convention* of March 24th, 1930, would be to create such an atmosphere of stability and confidence as would enable the execution of the programme of future negotiations also drawn up on March 24th, 1930, to be usefully prosecuted and extended:

Counts upon its members to do all in their power to ensure that the said Commercial Convention is speedily put into force; and

Trusts that the bilateral negotiations opened in consequence of the Conference with a View to Concerted Economic Action of November 1930 may be actively pursued.

#### VI.

The Commission of Enquiry for European Union:

Being apprehensive in regard to the *unemployment* position in Europe and the very grave consequences it is producing;

Requests the Secretariat of the League of Nations to acquaint it at the May session with the first results of the work undertaken by the Economic and Financial Organisation and the International Labour Office referred to in Resolution 16 of the eleventh Assembly.

#### VII.

A Committee is set up, consisting of the representatives of the British Empire, Denmark, Finland, France, Germany, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia.

This Committee will examine the constitution, organisation and procedure of the Commission of Enquiry for European Union. The other questions on the agenda of the Commission will also be submitted to this Committee.

#### VIII.

As the result of our discussions and conversations during the last few days concerning the problems which our Governments have respectively to face, it has become plain that economic recovery is now being hindered by lack of confidence in the course of future events due to widespread political anxiety. That anxiety has been increased by irresponsible talk in various quarters concerning the possibility of international war.

We recognise that there are political difficulties in Europe at the present time, and that these difficulties have been accentuated by the economic instability and unrest which the world economic

depression has caused. The best service we can render towards the improvement of the economic position is the firm assurance of European peace. We therefore declare, as Foreign Ministers or responsible representatives of European States, that we are more than ever determined to use the machinery of the League to prevent any resort to violence.

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#### Appendix IV.

### SUMMARY OF THE PRELIMINARY REPORT ON CERTAIN PHASES OF THE ECONOMIC DEPRESSION.<sup>1</sup>

#### I. THE ECONOMIC SITUATION IN 1928.

The note begins with a description of the economic situation in 1928 and the years immediately preceding. The adaptation of economic life in the years following immediately upon the war proceeded at a rapid rate, and by 1925 the adjustment was more complete than might have been expected. This period of recovery laid the foundations of an economic development throughout the world of a rapidity which had perhaps never before been witnessed. In the three years 1925 to 1928 the output of foodstuffs and raw materials increased by 8 per cent and the quantum of world trade by about 15 per cent. It is probable that the output of manufactured goods rose at least as fast as that of raw materials—*i.e.*, by about 8 per cent. During this period progress was more rapid in Europe than in other parts of the world.

At the same time most monetary systems were re-organised on a gold basis, and international movements of capital reached large proportions. In 1928 the net foreign lending of capital-exporting countries amounted to about 2,300 million dollars, of which a little more than 40 per cent went to Germany. Indeed, a casual observer of world economic conditions in that year might well have come to the conclusion that the situation was, if not satisfactory, at least improving rapidly, and that the prospects for the future were rather reassuring than otherwise.

In fact, however, the position was much less stable and the adjustment much less complete than it appeared. It is quite possible that the impression of "normality" was to a large extent due to the fact that certain of the readjustments which the novel and far-reaching changes in the economic structure called for had not been made. For example, so long as a tendency to partial over-production is met by increasing stocks, the day for an adjustment of production—always a delicate proceeding—is put off. In the case of many commodities this is exactly what happened. In 1928 for instance there was an evident tendency to over-production of cereals. The supply tended to augment rapidly under the influence of technical progress. In Canada, the Argentine and Australia the wheat crop was about twice as large as in the years preceding the war. At the same time a rise in the standard of living tended to turn the consumers' demand from bread to more expensive food, like vegetables and animal foodstuffs. The stocks of wheat were increasing—as a result partly of the various measures taken to maintain prices—and in 1928 they totalled 15.8 million tons as compared with 8.8 million tons three years earlier.

The situation was similar with regard to sugar and coffee, but radically different in the case of animal foodstuffs. The economic position of farmers in the countries specialising in animal foodstuffs was relatively favourable.

While the tendency towards over-production of cereals, sugar and certain colonial foods was evident, the position with regard to raw materials was much less clear. Yet it seems probable that in the case of some of them, at any rate, productive capacity was increasing faster than prospective demand. In certain cases stocks were rising; in other cases the exceptional demand created by the boom in manufacturing industries in 1928 and the first half of 1929 delayed the time when the excessive producing capacity would emerge.

#### II. THE TURN OF THE BUSINESS CYCLE IN 1929.

Profound changes in the technique of production, in commercial policy or in the politico-economic structure are usually regarded as being of a different kind from those which are involved in the so-called business cycle—*i.e.*, the recurrence at fairly regular intervals of alternating periods of prosperity and depression. A failure to adapt industry and trade to the former changes is, therefore, often called "structural maladjustment" as distinguished from the maladjustments arising out of the business cycle, with its recurrent booms and depressions. As indicated above, tendencies towards a structural maladjustment had been at work during the years immediately preceding 1929, and in some cases from many years before then; but their existence had to some extent been concealed or forgotten, and their effects partly offset by the upward trend of the

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<sup>1</sup> Document C.284.M.134.1931.VII.

business cycle in the United States and elsewhere, which exercised a stimulating influence on the world economic situation in general. It is natural that the turn of the business cycle and the beginning of a period of crisis should open the doors for the delayed effects of the structural maladjustment. This is what happened in 1929 and 1930.

It was in the early autumn of 1929 that the decisive turn came when the boom broke in the United States and gave place to a severe depression. Up to that time world trade and probably world production was expanding. The note does not enter upon a discussion of the causes of the recurrence of business cycles in general, or why a depression followed upon the boom in 1929, but concentrates attention on the question why the present depression has become so intense and widespread as it is. The answer is partly, as already indicated above, that a delayed adjustment to the new structural conditions had to be made. Moreover, the existence of a profound structural maladjustment made the situation unstable and lessened the power of resistance to those disturbing and depressing tendencies which are more or less inherent in the business cycle.

The reversal of international capital movements in 1929, when American lending abroad practically ceased and money from Europe and elsewhere began to flow over to New York, exercised a profound influence on the world economic situation. Money markets everywhere became stringent, discount rates were raised, and credit in general was restricted. The effects were, of course, felt most severely in the borrowing countries, which had adapted their economic life and international economic relations to an inflow of foreign capital that was now suddenly checked. Unfortunately, a number of these borrowing countries—the Argentine, Australia, Brazil, Hungary, Roumania and others—were largely exporters of those food products the prices of which had in previous months been subject to a heavy decline: so that in these countries the supply of foreign exchange fell off for a double reason, and great difficulties in balancing their international accounts arose. The effect of the consequent credit restriction was that large stocks of staple commodities, such as coffee, wheat, etc., were thrown on the market. A rapid decline in their prices followed. At the same time the situation of manufacturing industries grew worse with the advance of the business cycle depression. As always in such cases, traders and manufacturers reduced their purchases of raw materials, preferring to lower their stocks and buy only from hand to mouth. This curtailment of demand naturally led to a fall in the prices of raw materials also, which became all the more severe as a result of the widespread uncertainty and pessimism which prevailed.

The prices of manufactured commodities sank less rapidly, and in consequence the incomes of the producers of primary commodities declined more rapidly than those of the industrial communities—*e.g.*, in Western Europe: but the latter also could not fail to feel the effects of the reduced demand from the countries dependent upon the sales of primary products. The output of manufactured goods was reduced, and unemployment grew to appalling figures.

### III. AN ACCOUNT OF THE DEPRESSION.

In the autumn of 1929 many competent observers expected the depression to be of short duration. At one time in the spring of 1930 there seemed to be indications that this expectation would be fulfilled. The recovery, however, was short-lived, and the depression gathered new strength in the latter half of 1930. Production and price curves have continued downwards, although the rate of decline was somewhat reduced towards the end of 1930 and the beginning of the present year.

Many figures are given which show the extent to which production and trade have been reduced and unemployment has grown. For instance, the index of the volume of production declined from 109 in Germany, 108 in the United Kingdom and 112 in the United States of America, in the second quarter of 1929, to 75, 90 and 76 respectively in the last quarter of 1930. In France the reduction was much smaller. The trade figures show that during the first twelve months of the depression Europe suffered less than other parts of the world. For instance, the international trade of European countries during the first nine months of 1930 fell short of the figure of the previous year by 12 per cent, whereas the reduction in the international trade of extra-European countries declined by 23 per cent. In the last quarter of the year the new reduction was, however, of the same relative proportion in Europe as elsewhere.

After an analysis of the position of certain important industries, the note proceeds to a study of the decline in stock-exchange quotations and the increase of stocks of staple commodities. It is shown that the leading countries have seen their stock-exchange indices drop by 30 per cent to 50 per cent, and that stocks of staple commodities have been rising up to the spring of 1931. It is noted, however, that the so-called invisible stocks in the hands of manufacturers and retailers have probably undergone a substantial reduction.

There follows an analysis of the development of prices of different sorts of commodities, crude food products, raw materials, semi-manufactured goods and manufactured goods. Wholesale prices of raw materials have, as usual in periods of depression, dropped much more than those of finished goods. Prices of cotton, raw silk, wool, jute, rubber, hides, tin and copper have all dropped to about one-half of those ruling two years ago. The most important exceptions are

coal and iron and steel, which have not fallen heavily. Price agreements between producers are partly responsible for the fact that prices of manufactured goods have dropped relatively little, and that the prices of goods which are not dependent on the international market have fallen less than import and export prices. Retail prices have lagged somewhat behind wholesale prices, but have taken the same downward course. Nominal wages of manufacturing workers have remained almost unchanged in most countries and do not seem anywhere to have dropped as much as the cost of living. Thus, real wages have risen.

The influence on prices of the various sorts of maladjustment, regulation and friction of all kinds is, however, only one aspect of the price situation. The latter cannot be explained without reference to the development of money and credit conditions during the depression. The note draws special attention to the fact that, in spite of a considerable and rapid decline of discount rates, long-term interest rates, like bond yields, have declined relatively little ( $\frac{1}{2}$  per cent to 1 per cent) since the autumn of 1929. This easing of the capital market has been too small to enable all current savings to be absorbed by the borrowers. Hence, it seems probable that the total of current savings has not been loaned out or put into capital investments, and that for this reason purchasing power as a whole has declined and the price level been affected in a downward direction. One aspect of this development is the reduction in the export of capital from lending countries. The money which owners of capital in lending countries have failed to lend to countries with higher rates of interest, in which it would have been used for capital investments, has probably in part not been used at all.

It is in this state of the capital markets that the maladjustments in production and trade previously described have been exercising their influence. The question which is often put as to whether the causes of the drop in prices are to be found in connection with money and capital or in connection with production and trade is wrongly put. If *either* of these two factors—monetary policy or industrial maladjustment—had been different, then the economic development and the movement of the price-levels might also have been different.

The severity of the drop in prices and of the depression in general appears therefore to be due to deep-seated difficulties in the adjustment of production to demand and in international economic relations, especially international credit transactions, and to the absence of offsetting factors in the credit situation. The credit situation itself is affected at all times by monetary policy and current economic conditions alike, and monetary policy in its turn is not conducted in a vacuum, but is always largely determined by economic conditions. But the lack of adaptability in the economic systems of the world, partly due to political instability and lack of confidence, has prevented such changes being made in the basic conditions, before and after the turn in 1929, as might have mitigated the depression.

The note also draws attention to the differences in the relative position of different countries—the comparatively favourable position of countries producing animal foodstuffs, and of manufacturing countries, in particular those having a relatively flexible economic organisation, etc.

The report ends with an analysis of the situation in the spring of 1931. In the three or four months preceding March of this year there was a slowing down in the rate of the depression which was clearly noticeable both in the price and production curves and in the stocks of commodities. A certain stabilisation seemed to be approaching. In the last six weeks, however, raw material prices have again begun to drop rapidly, and the situation seems to be weaker than in March. A seasonal rise of output in manufacturing industries in the early spring has been followed by a decline which is probably also seasonal. It is, however, at present impossible to say whether the depression has gathered new force, or whether the next few months will witness the stabilisation of economic conditions which is the usual prelude to recovery.

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#### Appendix V.

### SUMMARY OF THE MEMORANDUM FROM THE INTERNATIONAL LABOUR OFFICE ON THE QUESTION OF UNEMPLOYMENT IN ITS BEARING ON THE INTERESTS OF THE WORKERS.<sup>1</sup>

At its fifty-second session (April 18th to 22nd, 1931), M. Albert Thomas, Director of the International Labour Office, put before the Governing Body of the International Labour Office a memorandum for submission to the Commission of Enquiry for European Union, with a view to practical action in connection with unemployment in Europe.

This document brings out the specifically European aspects of world unemployment. It recalls the conditions peculiar to Europe as regards the causes of the crisis and the means employed

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<sup>1</sup> Document C.275.M.127.1931.VII.

to attenuate its effects, more particularly by means of unemployment insurance. It lays special stress, however, on two points: (1) the organisation of the finding of employment for workers; (2) the execution of extensive public works.

1. *European Labour Exchange.* — The Convention on unemployment, adopted at Washington in 1919 by the International Labour Conference, laid the basis for the sound organisation of the finding of employment for workers. Of the twenty-four States which ratified that Convention, twenty-one are in Europe. The measures taken by them in the matter have certainly done something to make the crisis more bearable and even to attenuate it. It may be asked, however, whether the development of public employment exchanges in the various European countries is sufficient. The Convention provided that the operations of the various national systems would be "co-ordinated by the International Labour Office in agreement with the countries concerned". This provision has remained a dead letter so far. The time has probably come to attempt to apply it in the case of the European countries.

Either the International Labour Office itself or some public institution of a non-commercial nature, established in connection with the Office, could act as a sort of clearing-house for the regular review of the demand and supply of labour in all occupations. What has been done as regards the buying and selling of certain materials required by industry might be attempted in the case of the organisation of the employment of workers, in order to give them all work and the means of subsistence under acceptable conditions. Such an institution would be a sort of European labour exchange. It would present a moral as well as a material advantage; it would give European peoples the habit of considering questions of employment, not merely from the national point of view, but from an international point of view.

Recently, certain States have endeavoured to arrange exchanges of young workers, chiefly printers and hotel employees, with a view to enabling them to improve their knowledge of their trade and of foreign languages. The International Labour Office has acted as an intermediary in these exchanges. It has, moreover, with the assistance of various countries, done valuable work in the finding of employment for Russian refugees; in spite of particularly unfavourable conditions, employment was found for 35,000 of the refugees.

The ground is thus not entirely new. If so desired, a European labour exchange could be rapidly set up and get to work within the actual framework of the many laws designed to protect labour markets against invasion by foreign labour.

2. *Programme of Extensive Public Works in Europe.* — In a recently published study, the International Labour Office has pointed out the value for the various countries of a national public works policy laid down in advance and capable of alleviating, if not preventing, unemployment, by holding over until a crisis shows signs of appearing, the execution of works not absolutely required by a specific date.

Besides pointing out the importance of national public works as a partial remedy for the crisis, the Unemployment Committee, which met in January last, drew attention to "the possibility of Governments coming to an agreement, through the appropriate organs of the League of Nations, with a view to joint execution of extensive public works of an international character".

Such work is of direct use to the country in which it is carried out, and it is of indirect, but not less vital, importance to other countries, through the substantial improvements which are provided for all concerned and through the orders of material or equipment and the demand for labour to which it gives rise. Such work would also present a psychological and moral advantage; it would interest all the countries of Europe in objects of a European character, and would thus develop that spirit of collaboration, that "European spirit", which it is the object of the Commission of Enquiry for European Union to create.

Without attempting, at the present stage, to draw up a scheme, the International Labour Office directs attention to some ideas which have already been put forward in this connection.

One such idea is for a great international road system to meet the requirements of a constantly increasing motor traffic. Special routes for motor traffic are everywhere being made in the most advanced countries of Europe. They are, however, not connected with one another. Such a road system should have main arteries, both longitudinal and transversal. There might, for example, be one main artery passing through Paris, Vienna and Athens, another through Paris, Berlin, Warsaw and Moscow, a transversal trans-alpine artery and another from the Balkans to the Baltic. This would represent the nervous system of the united Europe which it is desired to create.

A system of navigable waterways is also needed. Certain regional systems already exist and only require to be co-ordinated. The linking up of the Rhine and the Rhone and of the North German system with that of the Danube would be enterprises which would affect international waterways or waterways which pass through various countries. They would be of interest to a large number of commercial Powers of Western, Northern and Central Europe.

The Director of the International Labour Office also refers to the problem of the international distribution of electrical power, already mentioned by the Belgian Government in a memorandum to the Commission of Enquiry for European Union.

He refers, lastly, to a scheme with which the Office has long been specially preoccupied—the uniform and concerted substitution on all railways on the continent of Europe of a system of automatic coupling for the present system of screw coupling which still causes many fatal accidents every year. According to the calculations of experts, this undertaking, which is so desirable on humanitarian, economic and even technical grounds, would provide work for more than 600,000 men for five years.

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The Director of the International Labour Office emphasises the fact that, in the considerations set forth, he has systematically confined himself to what was strictly within the competence of



the International Labour Organisation and to those questions within the competence of the Organisation which could be studied by the Commission of Enquiry for European Union with a view to action in the near future. He fully realises that other economic or financial action may produce a greater effect in reducing unemployment, but notes the constantly recurring difficulties encountered in the negotiations which have been carried on for some years past in this connection. From the point of view of the unemployed, immediate results are required; even if those results are limited, it does not matter so much provided they are tangible. Accordingly, the Director of the International Labour Office has deliberately left out of account in his memorandum more far-reaching and, possibly, in the long run, more effective proposals, such as problems of wages and hours of work, which, in their connection with unemployment, have given rise to controversy between the employers' and workers' representatives on the Governing Body. The study of these wide problems will be systematically continued as part of the normal work of the International Labour Organisation. In the proposals for submission to the Commission of Enquiry for European Union, the Director of the Office has confined himself to a few limited and definite suggestions concerned more especially with Europe.

In order that they may be studied and set in motion as rapidly as possible, he proposes:

(1) That a sub-committee of three members of the Commission of Enquiry for European Union should discuss with three members of the Governing Body of the International Labour Office, and with the assistance of experts—*i.e.*, the heads of the competent administrations—the possibility of the immediate development of the international placing of workers and the migration of workers in Europe;

(2) That another sub-committee, on which the Governing Body of the International Labour Office might also be represented (for labour questions), should draw up a scheme of European public works to be carried out in the near future.

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#### Appendix VI.

### MEMORANDA SUBMITTED BY THE INTERNATIONAL INSTITUTE OF AGRICULTURE.<sup>1</sup>

#### I. MEMORANDUM OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE ON THE WORLD CRISIS IN RELATION TO THE AGRICULTURE OF THE EUROPEAN STATES, WITH PARTICULAR REFERENCE TO UNEMPLOYMENT.

1. In compliance with the resolution of the eleventh Assembly providing for the co-operation of the Institute and of the League of Nations in respect of the agricultural aspects of the enquiry on the economic depression, the International Institute of Agriculture has published a memorandum on the World Crisis in relation to agriculture.

The table of index numbers of agricultural prices in nine European countries reveals a serious and continuous drop in prices from 1929 to 1931, and clearly shows the gravity and widespread character of this fall in prices throughout Europe (in 1931 approximately one-third of the 1929 prices).

The effect on the economic situation of the farming classes has been especially keenly felt, as the general level of prices, and especially of working costs (wages, interest, liabilities, taxes, social charges) has fallen much less rapidly than the prices of agricultural produce. The position of European farmers is becoming steadily worse and constitutes one of the most disquieting aspects of the general economic crisis. Purchasing power is being reduced in consequence of the fall in prices of agricultural products and of the increasing disproportion between farming receipts and expenditure. The results on all other branches of economic activity are disastrous. The crisis in industry, trade and transport is to a large extent the result of the impoverishment of the peasant classes, itself due to the agricultural crisis. It is in this crisis that there will be found the main cause underlying the prevailing economic distress.

The methods employed in the national field have proved ineffective and frequently dangerous. Measures of protection adopted by one country have given rise to retaliatory measures elsewhere. International action alone is capable of leading to a practical solution of the present difficulties.

2. That form of unemployment which is the consequence of the development of the technique of production concerns agriculture most deeply. It is the rural population who are the first to pay dearly for the mechanisation of the means of production. The unemployment of the town-workers lowers the purchasing power of the population, whence comes the glutting of the markets with agricultural products and the depreciation of farming income. Agriculture must put forward a scheme for the reshaping of the economic structure to the new demands of technique. As regards Europe this question takes on a special aspect. The fall in the death rate results in a considerable annual surplus of population. In order to find employment for this mass of workers European economy should import raw materials from abroad, and the other continents which should supply these in return for the manufactured products of Europe are preferring to manufacture these goods themselves, utilising their own raw materials.

No scheme of European co-operation and union can therefore leave the other continents out of consideration.

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<sup>1</sup> Document C.323.M.148.1931.VII.



The International Institute of Agriculture requests the Committee of Enquiry to examine the following proposal: to establish a special sub-committee consisting of representatives of the technical organisations of the League of Nations (in particular of the Economic and Financial Organisation, and the Organisation for Communications and Transit), of the International Labour Office, of the International Institute of Agriculture, and possibly including representatives of the Bank of International Settlements. This body should be asked to undertake the study of the problem of unemployment from the point of view of a radical organisation of economic life, based on the maximum utilisation for common ends of lands, raw materials, labour and capital.

## II. MEMORANDUM ON THE WORK OF THE WORLD WHEAT CONFERENCE HELD AT ROME FROM MARCH 26th TO APRIL 2nd, 1931 AND ON THE TENT OF THE FINAL ACT OF THE CONFERENCE.

This memorandum takes the form of a commentary on the decisions embodied in the Final Act (communicated at the same time) relative to the Organisation of Wheat Production and of the Wheat Trade, International Agricultural Credit, and the Preferential Tariff System.

## III. MEMORANDUM ON THE CREATION OF AN INTERNATIONAL BANKING INSTITUTION FOR THE PURPOSE OF SHORT-TERM AGRICULTURAL CREDIT.

The Rome Wheat Conference stressed the importance for agriculture of short-term credit; this form of credit which at the present time is granted at too high a rate of interest must play an essential part in the restoration of the economic and commercial equilibrium of farming. The effects of the crisis could also be attenuated by means of a credit system, the object of which is to support agriculture during the difficult phase of the passage of produce from the place of production to the market. Hitherto the organisation of agricultural credit has not sufficiently taken into account the expense attaching to the various operations to which agricultural products are subjected: holding, storing, conserving, packing, transport, shipment, etc.

Realising the necessity of promoting the more widespread development of short-term agricultural credit, the International Institute of Agriculture has conceived the idea of creating an international bank for the purposes of short-term credit. Such a bank would be able to establish relations with the International Agricultural Mortgage Credit Bank, and would work through the national or regional institutions. Working with an international capital it would act as a great rediscounting institution. Loans would be made in the form of bills and have collateral security in the form of goods deposited in public and private warehouses. The lowest possible rates of interest would be charged.

This Institution would be intended to fill up the financial or technical gaps in the existing systems of agricultural credit. It might later extend its operations so as to include the principle of "acceptance" credit as practised in Great Britain.

The International Institute of Agriculture requests the Commission of Enquiry to give its moral support to this new initiative and to nominate a sub-committee to enter into relations with the Institute for the examination of this question.

## IV. PRINCIPAL RESULTS OF THE BANKING ENQUIRY ON INTERNATIONAL AGRICULTURAL CREDIT, ENDUCTED BY THE INTERNATIONAL INSTITUTE OF AGRICULTURE.

As long ago as 1926 the International Institute of Agriculture conducted an enquiry on this subject. It gives a summary of the replies to a questionnaire sent to the agricultural institutes of various countries.

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### Appendix VII.

#### REPORT OF THE ORGANISATION SUB-COMMITTEE.<sup>1</sup>

At its meeting on January 21st, 1931, the Commission of Enquiry for European Union set up a sub-committee, consisting of the representatives of Denmark, Finland, France, Germany, British Empire, Greece, Italy, Poland, Portugal, Spain, Switzerland and Yugoslavia, to study the constitution, organisation and procedure of the Commission.

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<sup>1</sup> Document C.204.M.82.1931.VII (C.E.U.E./16).

1. Before submitting to the Commission the outcome of the Sub-Committee's discussions, it may be well to recall in a few words the origin and character of the Commission.

It will be remembered that the Assembly expressed its conviction that close co-operation between the Governments of Europe in every field of international activity was of capital importance for the preservation of peace, and associated itself with the unanimous opinion of the representatives of the European Governments that such co-operation was necessary. It invited the Governments of the European States Members of the League of Nations to form themselves into a League Commission to pursue the enquiry. It was thus clearly specified that this Commission should be an organ of the League, but that it should be open to the Commission to pursue its enquiries in conjunction with non-European Members and with European non-member Governments. On this subject the President of the Assembly said: "I am sure that I am expressing the unanimous opinion of the Assembly in saying that those States Members of the League which are not represented on the Commission just set up should nevertheless be entitled to send observers to the Commission's meetings, so that they may submit their views should they think fit. I take it that the Assembly approves this proposal".

2. It may also be well to call attention to the fact that, after the Commission's second session, the Chairman was deputed to communicate to the Council the resolutions passed by the Commission, with a request that it take note of them and authorise the technical organisations and the Secretary-General of the League to take the necessary action. The Council, at its meeting on January 23rd, 1931,<sup>1</sup> acted accordingly.

From all this we obtain certain essential facts regarding the constitution and organisation of our Commission. First, as we have already seen, the Commission is a League Commission, and it is its duty, as such, to report to the Council and Assembly, which will decide what action is to be taken on its resolutions. Under these conditions, therefore, the Commission may secure the assistance of the technical organisations and advisory committees of the League.

Secondly, those States Members of the League which are not represented on the Commission are entitled to send observers to its meetings and submit their views should they think fit. These States share, moreover, in the general supervision exercised by the Council and the Assembly over all the Commission's proceedings.

3. Acting as a League Commission, the Commission of Enquiry is subject, generally, to the usual rules for such commissions, but it can, of course, make special rules of its own. For example, the Commission has already agreed that each Government may be represented by a delegate and, if it so desires, by a deputy delegate. Again, the Commission has already invited certain European Governments not Members of the League to take part in the study of the world economic crisis in so far as it affects the European countries as a whole. Further, it has set up *ad hoc* Committees of its own Members to deal with special questions. Naturally, it retains the right to set up other such committees in the future, on the understanding that, in each case, it will decide upon their composition, the subject with which they are to deal, and their duration. In each case, such committees should include representatives of the States specially interested in the questions under consideration.

For the better organisation of our proceedings, it would doubtless be well to ask any Member who may wish to place a question on the agenda of any session to inform the Secretary-General not less than one month before the opening of the session. With the Chairman's approval, the Secretary-General could then send out a provisional agenda to all Members three weeks before the beginning of the session. Every request to have a question placed on the agenda should be accompanied by a statement specifying in detail the subject in question and its European aspects.

At the first meeting of each session the Commission would fix its final agenda, and questions which were referred to the Commission but were not on the provisional agenda could not, of course, be discussed at the current session unless, for reasons of urgency, the Commission so decided. The Commission could always refer any question submitted to it to an *ad hoc* sub-commission for a preliminary opinion before deciding whether to place it on the agenda.

The Commission has already laid it down that, in principle, its proceedings shall be public. It might be arranged that, following the practice of the League Council, the Commission shall hold a private meeting at the beginning of each session for the purpose of fixing the final agenda.

Every year, after the Assembly of the League of Nations, the Commission would elect its Chairman and its Vice-Chairman.

The Secretary-General of the League of Nations would always act as Secretary to the Commission.

### Appendix VIII.

## RESOLUTIONS ON ECONOMIC QUESTIONS ADOPTED BY THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION AT ITS THIRD SESSION IN MAY 1931.<sup>1</sup>

The Commission of Enquiry for European Union:

Being desirous of studying all methods likely to remedy the crisis which is now weighing upon European countries, and of which the prolongation would cause an ever-growing distress and misery;

Being convinced that the solution of this problem must be sought in ever more intimate economic co-operation between the States of Europe and the whole world:

Adopts the following resolutions :

### I. ECONOMIC CO-ORDINATION SUB-COMMITTEE.

The Commission of Enquiry decides to appoint an Economic Co-ordination Sub-Committee.

All the States which take part in the work of the Commission of Enquiry will be represented on this Sub-Committee.

The Sub-Committee will meet at Geneva on July 6th, 1931. This date will enable it to make its report to the Commission of Enquiry in good time and to communicate it before the Assembly to those Members of the League which are not represented on the Commission of Enquiry.

The Sub-Committee will endeavour to co-ordinate and, where necessary, to amplify the conclusions that will be submitted to it after the special meetings referred to below, but its competence will not necessarily be limited to the questions dealt with at those meetings. On the contrary, the economic sphere with which it will deal is to be conceived on the widest lines.

It will therefore be free to make to the Commission of Enquiry any proposals on economic questions that it may think fit.

### 2. AGRICULTURAL PROBLEMS.

(a) Having noted the recommendation passed by the " Committee to study the Problem of the Export of Future Harvest Surpluses of Cereals ", which met in Paris on February 26th-28th last, the Commission of Enquiry again convenes that Committee for June 10th, 1931, in Geneva, with a view to considering the proposals made by various delegations concerning agricultural problems, with due reference to the results of the Rome and London Conferences.

This Committee will be enlarged by the addition of the delegates of Hungary, Poland, Roumania, Turkey and the Union of Soviet Socialist Republics. It may, if it thinks fit, get into touch with the oversea wheat-exporting countries which took part in the Rome and London Conferences.

The question of agricultural preference is specially mentioned under Item 7 of this report.

(b) The Commission has considered with interest the communication from the International Institute of Agriculture regarding the establishment of an international organisation for short-term agricultural credit, in which matter the preparatory work is already well advanced.

The Commission desires to be kept informed of the progress of future work on this question.

It is of opinion that that work would be facilitated by the co-operation of the financial and economic organisations of the League.

### 3. PROBLEMS OF PRODUCTION AND TRADE.

The Commission of Enquiry recommends that tariff negotiations should be pursued and that consideration should be given to the desirability of extending and developing international economic agreements.

In particular :

(a) It requests the Council to convene a meeting, when it thinks fit and after consulting the Economic Committee or its Bureau and the President of the Conference with a View to Concerted Economic Action, to take steps for the application of the principles formulated in the Commercial Convention of March 24th, 1930; and at the same time it recommends the European States to conform as far as possible henceforward to the principles laid down in that Convention.

<sup>1</sup> Document C.395.M.158.1931.VII (Extract).

(b) It invites the States to continue and to endeavour to bring to a successful conclusion as rapidly as possible the commercial negotiations entered into by agreement between various Governments and the British Government on the latter's initiative.

(c) The Commission of Enquiry decides to convene at Geneva, on June 24th next, a Committee of highly qualified experts on economic subjects generally, who, working in contact with their Governments and availing themselves of the work of the economic organisations of the League and of the International Labour Office, will examine, in complete freedom and in a spirit of liberal understanding, all means which may seem calculated to bring about closer and more profitable co-operation between the different countries with a view to improving the organisation of production and trade in the general interest.

These experts will be ten in number, one being appointed by each of the following Governments: Belgian, British, Czechoslovak, French, German, Italian, Netherlands, Polish, Swedish and Union of Soviet Socialist Republics.

The Committee may secure the assistance of the industrial experts with special knowledge of the question of international economic agreements who are already co-operating in the work of the Economic Committee of the League of Nations.

#### 4. AUSTRIA.

A proposal had been submitted to the Commission of Enquiry that a committee be set up to consider measures by which the difficulties peculiar to Austria might be remedied.

The Commission took note of this proposal. The representative of Austria having stated that his Government proposed, if necessary, itself to submit suggestions concerning the problems peculiar to Austria for consideration by the special committees provided for by the Commission, the latter approved this procedure.

#### 5. CREDIT.

With regard to the problem of credit, the Commission of Enquiry considers it highly desirable that the work of mutual aid among the European countries which it is pursuing may be seconded, thanks to the confidence which should result, by an effective policy of financial co-operation, more especially in the matter of long-term credit.

With a view to preparing for this co-operation, it requests the Council to appoint a small committee of five members, consisting of representatives of the Governments, to consider, in conjunction with a delegation of the Financial Committee, what practical steps could be taken to facilitate the issue of State loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets.

This Committee's attention will be drawn to the value of the enquiries undertaken by the International Labour Office with a view to relieving unemployment by means of important public works.

#### 6. COLLABORATION WITH SPECIAL COMMITTEES.

The Governments not represented on the special Committees mentioned in this report may submit to those Committees memoranda or proposals and may, if necessary, delegate a representative to support such memoranda or proposals.

#### 7. AGRICULTURAL PREFERENCE.

(a) The Commission of Enquiry recognises that, apart from the measures now in course of preparation or execution (organisation of the grain market, agricultural mortgage credit, etc.), the establishment of a preferential agricultural regime would have the effect of ensuring in the abnormal circumstances now prevailing prices which would afford a better return for the Central and Eastern European grain exporters.

The Committee mentioned in resolution 2 above, which is to meet on June 10th, 1931, may, if necessary, be entrusted with the task of ensuring the regular application of an exceptional regime of this nature and of co-ordinating the various arrangements made or contemplated with this object by the exporting States in agreement with the importing States.

The Commission of Enquiry considers that the particular facilities in question, designed to meet the difficulties of the present situation, could be granted only as an exceptional and temporary measure and subject to the interests of third States.

Further, the concessions which might be made in compensation should not be of a preferential character.

The question of the extension of special facilities to agricultural products other than grain will be placed on the agenda of the Co-ordination Sub-Committee referred to in Section 1 above. Meanwhile the Secretariat will prepare the necessary material so far as it can obtain information from the countries concerned.

#### 8. TRADE IN, AND TRANSIT OF, LIVE-STOCK, ETC.

Having regard to the capital importance of the problems of the trade in, and transit of, live-stock, etc., the Commission of Enquiry decides that the conclusions at which the Economic Committee may arrive in this connection at its next session, shall also be referred to the Sub-Commission on Economic Co-ordination.

#### 9. UNEMPLOYMENT.

The Commission of Enquiry, having taken note of the International Labour Office's proposals with a view to practical action to relieve unemployment in Europe, requests that, with the Council's approval, a sub-committee composed of six members of the Commission should study, together with six members of the Governing Body of the International Labour Office, the problems of unemployment and in particular the possibility of developing forthwith the international distribution of labour and emigration of workers in Europe.

This Sub-Committee will also have to consider the draft contained in the Memorandum submitted by the International Institute of Agriculture proposing a better use of all the factors constituting production.

#### 10. TRANSPORT AND TRANSIT OF ELECTRIC POWER.

The Commission of Enquiry requests the Council to ask the Communications and Transit Organisation to study the question of the regime of international exchanges of electric power in Europe and to consult the Belgian, Czechoslovak, Norwegian and Spanish Governments in the matter.

#### 11. CUSTOMS EXEMPTION FOR LIQUID FUEL.

The Commission of Enquiry requests the Council to ask the Communications and Transit Organisation to study this question, if necessary in collaboration with the Economic Organisation, and invites the States Members of the Commission of Enquiry to forward to the Secretariat the documentary material relating to the regulations applied in this connection in the different countries.

#### 12. CUSTOMS NOMENCLATURE.

With a view to contributing towards the improvement of conditions of trade between the different European countries, the Commission of Enquiry requests the Council to invite the Committee of Experts appointed to frame a draft unified nomenclature to expedite its work in order that its conclusions may be submitted to the next Assembly.

#### 13. TREATMENT OF FOREIGNERS.

The Commission of Enquiry considers that a system of co-operation between the European States is inconceivable unless the nationals and undertakings of one State receive in the territory of the other States equitable treatment approaching as nearly as possible to that accorded to the nationals and undertakings of the State concerned.

It reaffirms that it would be desirable, as already asserted by the International Conference on the Treatment of Foreigners at the close of its first session on December 5th, 1929, to "draft . . . the proposed Convention on the most liberal lines, with the possibility of appending exceptions based on special situations of fact or of law at present existing, in view of which Governments would put forward their proposals".

The Commission of Enquiry has been informed of the steps taken in this sense by several of its members with a view to ensuring the success of the second session of the International Conference on the Treatment of Foreigners, and of the conformity of views reached by them on the majority of important points.

Being confident of the successful issue of the combined efforts of all its members in this field, the Commission invites the latter to give their whole attention, in a spirit of genuine international co-operation, to the various problems raised by the drafts of the Convention on the Treatment of Foreigners, and to take all useful steps to enable the delegates of the European States at the next session of the Conference to be furnished with instructions allowing of the conclusion of a convention representing a real improvement in the system of European economic relations.

#### 14. PACT OF ECONOMIC NON-AGGRESSION.

The Commission of Enquiry had also to consider the draft Protocol submitted by the delegation of the Union of Soviet Socialist Republics. It decides to refer it for examination to the Sub-Committee mentioned under Resolution 1 above.

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Geneva, July 9th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**COMMITTEE TO STUDY THE PROBLEM OF THE EXPORT  
OF FUTURE HARVEST SURPLUSES OF CEREALS**

(Second Session — June 25th to 27th)

**REPORT**

The Committee appointed to study the problem of the export of future harvest surpluses of cereals, convened by the Commission of Enquiry for European Union, met at Geneva on June 25th, 26th and 27th. It was attended by several delegations—those of Hungary, Poland, Roumania, Turkey and the Union of Soviet Socialist Republics—which were not present at its first session (February 26th to 28th).

I.

The Committee began by examining the conclusions to be drawn from the London Conference (May 18th to 23rd), at which the wheat-exporting countries of Europe and overseas endeavoured to organise their sales on the world market on concerted lines; at its first session, the Committee had decided that such organisation was highly desirable and calculated to remedy the dislocation of prices and conditions of sale.

The Committee regrets that it was not found possible to establish a broad international agreement on a worldwide scale, and trusts that efforts to arrive at an understanding will not be abandoned, but will be actively prosecuted.

II.

While not neglecting the worldwide aspect of the problem, the Committee considered the best means of improving the situation from a standpoint limited to Europe. In accordance with its terms of reference, it examined the question of a system of agricultural preference, which the Commission of Enquiry agreed would afford valuable assistance to the peoples of Central and Eastern Europe, who are suffering heavily from the depression.

Much information was exchanged on this subject. It was found that the general discussions on preference had been followed by definite action on practical lines. Certain endeavours have already led to the conclusion of specific conventions, while others are in preparation and under negotiation. The Committee carefully reviewed these patient efforts. The agreements concluded or prepared were considered in the most liberal spirit of co-operation and solidarity. The experiments made, which have varied according to the possibilities in each case, were bilateral in character but have been thrown into the common stock. All concerned have been or will be informed of them, in order that everyone may profit.

The methods employed to put into effect a preferential tariff system differ slightly one from another (reduction of Customs duty or refund of a portion of that duty). All of them, however, must have in common certain features which it is desirable to specify.

In order that the preference may be in no way disguised, these proceedings should lead to public agreements which will be registered at the Secretariat of the League of Nations.

They presuppose the approval of third parties.

If they involve equivalent concessions, the latter will not be of a preferential nature, but will be open to all who can invoke the most-favoured-nation clause.

The preference will be expressed either as a percentage reduction in Customs duty or as a standard reduction; it will apply to specified quantities.



Further, it will represent a temporary and limited exception.

In this connection, the Cereals Disposal Committee would refer to the essential principles laid down, during the Conference with a View to Concerted Economic Action at Geneva in November 1930, by a Sub-Committee appointed to study the question of negotiations regarding the regime of trade between the agricultural countries of Eastern Europe and the Western-European countries — principles which were confirmed or amplified at the subsequent meetings at Paris, Rome and Geneva.

The Committee is of opinion that, with a view to the prosecution of the operations now in progress and the satisfactory application of the preferential regime, and also to avoid jeopardising the success of the present undertaking, these rules must not be neglected, but must be adhered to in every case.

They form the framework within which, in the Committee's view, the preferential regime—whatever form it may take—must be placed in order to raise the fewest possible objections and secure the widest acceptance. The Committee considers that the preferential regime, reduced to these rules and these methods which would limit the scope of the exception it represents, is compatible with the spirit of international co-operation.

### III.

The work of the Cereals Disposal Committee was greatly facilitated by an enquiry carried out, from the standpoint of the countries interested in the export of grain, by the Permanent Committee for Economic Enquiry of the States of Central and Eastern Europe at a session held at Geneva on June 23rd and 24th. This latter Committee defined its views as follows:

(1) The grain exporting countries of Central and Eastern Europe ask for preference for wheat, rye, barley, oats, maize, malt and flour.

(2) They are of opinion that the preferential system will only secure results entirely satisfactory to themselves in so far as it is applied by all the grain-importing countries of Europe. For reasons of expediency, however, they are, at the present time, demanding this regime only from those countries which usually import cereals from them.

(3) Preference is only to be granted for limited quantities, but it is of capital importance to the grain-exporting countries in question that any surpluses they may have should enjoy preference. Only if this is granted, will those countries achieve the object of the preferential regime—that is to say, the raising of the price of cereals in the exporting countries above the world level. For these reasons, the quotas enjoying preference should be so fixed that their total may correspond to the total export surpluses in those countries.

(4) While leaving the choice of the form to be taken by the preference to be decided by bilateral negotiations, the grain-exporting countries in question consider that a reduction of import duties would be the form best calculated to serve their interests.

### IV.

As regards those agreements in preparation which do not relate to Customs duties, but are designed to set up a special system by bilateral conventions with the object of securing better prices for agricultural produce by credit or other facilities, the Cereals Disposal Committee is of opinion that the application of these agreements raises extremely difficult problems, and no final conclusions can be reached on the subject.

Being anxious, however, to avoid giving the impression that certain solutions might seem calculated to weaken the most-favoured-nation clause, the Committee wishes to receive fuller particulars of their exact tenor so that it may be better able to judge.

### V.

The Cereals Disposal Committee was called upon to examine what part it might be desirable for it to play subsequently.

The experience of its present session has made it realise that it is of capital importance for the maintenance of order in international economic relations for the preferential regime granted by certain countries to others to be examined by a neutral organ giving every guarantee of impartiality, to see whether it corresponds to the principles set forth above. It therefore recommends that all arrangements of this nature should be communicated by the Secretariat of the League of Nations to the Cereals Disposal Committee.

### VI.

The Committee considered other solutions for improving the disposal of cereals.

It is convinced that a better organisation of the financing of the production and disposal of cereals would be likely to mitigate appreciably the effects of the agricultural crisis on the exporting countries of Central and Eastern Europe.

It views with great satisfaction the progress accomplished since its last meeting in the organisation of the International Agricultural Mortgage Credit Company, which will probably be ready to begin work next autumn.

It is happy to learn from the declarations made by the representatives of the International Institute of Agriculture, that the investigations undertaken by the latter conjointly with the Financial Organisation of the League of Nations for the international organisation of agricultural short-term credits have been continued. It hopes that they will rapidly lead to international action for the permanent improvement of the conditions of warehousing and disposal of surplus stocks of cereals. As, however, it is certain that no solution will be arrived at before the 1931 harvest, the Committee has requested the International Institute of Agriculture to investigate the possibilities of setting up a provisional organisation to enable agricultural countries to finance their next harvest.

#### VII.

The Committee has noted the efforts made to improve the conditions of the international transport of cereals, directed, on the one hand, towards a reduction of rates for the carriage of cereals over certain important routes and, on the other, towards the introduction of a negotiable waybill for international transports, which would give greater facilities for credit and for the disposal of cereals in the course of despatch.

The Committee took note of the work done in this sphere by the Communications and Transit Organisation of the League of Nations. It hopes that the coming revision of the International Convention on Traffic of Goods by Rail, will afford an opportunity for taking account of the legitimate interests of the international trade in cereals.

#### VIII.

The Committee considers that whatever solutions may be adopted with a view to an improvement in the disposal of cereals, such solutions, if they entail a preference, must be subject to the rules set forth in the preceding paragraphs.

#### IX.

Finally, the Committee is of opinion that a very definite advance has been made in the direction of practical measures in the course of the last few months. It regards this as a happy augury of the success of the undertaking which it has at heart and it has no doubt that the continuation of persevering efforts will shortly bring about a real improvement in the agricultural countries of Central and Eastern Europe, thus contributing to alleviate the distress from which the whole of the European economic structure is suffering.

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Geneva, July 10th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**UNEMPLOYMENT COMMITTEE**

The Unemployment Committee, which was appointed by the Commission of Enquiry for European Union, met on July 1st and 2nd, 1931, at the International Labour Office, Geneva. The following delegates were present:

1. *Delegates appointed by the European Commission:*

<i>Germany:</i>	Dr. Oscar WEIGERT (assisted by Mme. Margarete EHLERF);
<i>Austria:</i>	M. Karl FORCHHEIMER;
<i>Denmark:</i>	M. Kristian ERIKSEN;
<i>Great Britain:</i>	Mr. James Alan BARLOW;
<i>Czechoslovakia:</i>	M. Zdenek FIERLINGER (assisted by Dr. Eugène STERN);
<i>Yugoslavia:</i>	M. Douchan YEREMITCH.

2. *Delegates appointed by the Governing Body of the International Labour Office:*

*Government Group:*

M. G. DE MICHELIS (Italy);  
M. Jean ROSNER (Poland), substitute for M. F. SOKAL;

*Employers' Group:*

M. Gino OLIVETTI (Italy);  
M. Hans VOGEL (Germany);

*Workers' Group:*

M. L. JOUHAUX (France);  
M. Ch. SCHÜRCH (Switzerland);

3. M. Ch. PICQUENARD (France), who had been invited as the result of a decision of the Governing Body of the International Labour Office to place before the Committee the point of view of France as a country of immigration.

The Committee elected M. DE MICHELIS as Chairman. It held two plenary sittings on July 1st, and set up three Sub-Committees to deal respectively with the following points:

1. Placing Work.
2. Public Works.
3. Co-operation of the factors of production.

At a plenary sitting held on July 2nd, the Committee adopted, in the following form, the draft resolutions presented by the Sub-Committees:

I. PLACING WORK.

" The Unemployment Committee:

" In view of the necessity of favouring an international migration of workers which might balance in Europe as exactly and rapidly as possible the supply of, and demand for, labour, in so far as this cannot be done within the countries concerned;

" Recommends the development of the policy of bilateral agreements already adopted by several European countries for organising the migration of workers, and in particular for recruiting workers in one country for employment in another and also for ensuring to the workers thus recruited equality of treatment with nationals, together with suitable employment and living conditions;

" And requests the Commission of Enquiry for European Union to submit to the Council of the League of Nations the following proposals:

" 1. That a technical placing Conference should be convened by the International Labour Office in the near future;

" 2. That Governments should be asked to send experts on placing as delegates to this Conference. The Governing Body of the International Labour Office should also be invited to send to the Conference as delegates representatives of the Employers' Group and of the Workers' Group of the Governing Body;

" 3. That, as the object of the Conference will be to investigate the means of co-ordinating the national placing services on a European scale, its agenda should be as follows:

" (a) The organisation of a permanent exchange of information on the state of the labour market and the creation of the necessary international bodies;

" (b) The means of facilitating bilateral relations between the various national placing systems for the actual transference of labour from one country to another;

" (c) A comparison of the methods of placing in force in the various countries.

" 4. That a temporary secretariat (composed of a member of section, a clerk and a shorthand-typist) should be set up at the International Labour Office to prepare for the Conference."

## II. PUBLIC WORKS.

" The Unemployment Committee:

" Has taken note of the schemes for public works communicated to the International Labour Office by several Governments.

" It observes that these schemes, taken as a whole, are capable of providing employment for a large number of workers, not only in the actual execution of the works, but also by securing orders for numerous industries.

" It thinks that the execution of such schemes would offer a valuable channel for the use of capital now lying idle, and so contribute to a diminution of unemployment and to a general business recovery.

" The Committee considers that a policy of co-operation in public works would contribute to the harmonious development of the economic resources of Europe, and would take continuous account of the situation in the labour market, with a view to making employment more stable.

" It therefore requests the Credit Problems Committee to investigate at once the means of securing the permanent international co-operation required for the execution of any works recognised as furthering the economic development of Europe and to promote for this purpose a policy of long-term credits which may inspire the confidence indispensable to lenders and secure favourable conditions to borrowers. "

## III. CO-OPERATION OF THE FACTORS OF PRODUCTION.

" The Unemployment Committee was also instructed to study the proposal made by the International Institute of Agriculture for a better use of all the elements of production.

" It considers that the economic equilibrium of Europe would be better re-established if the surplus population which it cannot make use of could be employed for the exploitation of territories which are in a position to absorb it to good purpose. This would give free play and lend vitality to the forces which make for the economic development of the world.

" But the problem of the transfer of the surplus active population is closely related to the search for territories which are suitable for the rational settlement of groups of human beings, economically equipped for the purpose, for land development, the exploitation of the soil, the development of commerce and industry arising therefrom, and also for increasing the purchasing power of the native populations and the constitution of fresh markets for the production, not only of Europe, but of the whole world.

" Such a programme, which must depend upon international co-operation, requires the support of capital and of credits. This involves the adoption of the international policy of credits which has been proposed for other forms of economic development.

" The Committee has given its general approval to the programme referred to in the first paragraph above. Since a more exhaustive enquiry with a view to putting this programme into operation must necessarily extend beyond Europe, it suggests that the Commission of Enquiry for European Union should propose to the Council of the League of Nations that the matter be referred for study to its competent bodies, with a view to the adoption of practical steps. For these studies it would be desirable to invite the help of the International Labour Office and the International Institute of Agriculture. "

Geneva, August 25th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

*Note by the Secretary-General:*

The Secretary-General has the honour to transmit to the members of the Commission of Enquiry for European Union a memorandum which was communicated to him by the Greek Government and which contains a general review of the position of Greek agricultural production.

This document was prepared in accordance with a resolution adopted by the Commission at its session in May (document C.395.M.158.1931.VII, page 192, No. 7, paragraph 5) concerning the inclusion in the Co-ordination Sub-Committee's agenda of the question of the extension of special facilities to agricultural products other than grain.

**MEMORANDUM FROM THE GREEK GOVERNMENT.**

[*Translation.*]

It was not without very weighty reasons that the Vice-President of the Council and Minister for Foreign Affairs of Greece, at the third session of the Committee of Enquiry for European Union, urged that the special facilities, the grant of which is under consideration in the case of Central European cereals, should be extended to agricultural products other than cereals.

The accession to the Greek proposal of a number of other equally interested delegations affords further proof that the proposal deserves the attention of the Committee at least as much as the applications of the cereal-producing countries of Central and Eastern Europe.

The agricultural depression from which Greece and other countries with similar products are suffering is not one whit less serious than the depression prevailing in cereal-producing countries.

A picture of the agricultural crisis in Greece may be found in the memorandum by M. Caramanos, Director-General at the Ministry of Agriculture, which is contained in the volume on the agricultural crisis recently published by the Secretariat (document C.239.M.105.1931.II.(B)).

After giving an account of the general phenomena of economic distress to be met with in Greece, as elsewhere in Europe, the memorandum enumerates special circumstances arising out of the settlement of the refugees, which, added to the other difficulties, have seriously aggravated the agricultural crisis.

It should be borne in mind that the agricultural population of Greece amounts to 65 per cent of the total population.

The principal symptoms of the crisis are, first, the fall in prices and, secondly, the decline in exports. The former development is to a great extent a result of the latter. The export market, for reasons which need not be given here, has to cope with prices which are much below the cost price of exported products. The producer is consequently faced with the following dilemma: either he must continue to produce for export with the certainty of not earning even the cost of production, or he must turn his attention to the home market. But the home market is glutted with surpluses. Hence the collapse in prices.

M. Caramanos, in his memorandum, gives a table showing the decline in the export of the principal Greek agricultural products (tobacco, oil, wine, raisins, etc.). Below will be found tables showing the difference between the cost price of these products and the sale price they are fetching at present.

**I. TOBACCO.**

The tobacco production in Greece is of immense importance. As already stated, agriculture accounts for 65 per cent of the Greek population. Tobacco-growing alone accounts for 14.5 per cent—*i.e.*, for 900,000 persons, or about one-seventh of the total population.

In values, the proportion of the tobacco exported in relation to the total volume of exports is even greater. In 1929, it amounted to 56.52 per cent (3,948,553,000 drachmæ out of a total of 6,985,196,000 drachmæ), and in 1930 to 57.15 per cent (3,382,003,000 drachmæ out of a total of 5,917,846,000 drachmæ).

M. Caramanos gives in his memorandum the quantities of tobacco exported in 1929 and 1930 (reduction of 1.7 per cent) and the values in the same years (reduction of 12.8 per cent).

New figures are now available for the 1930 harvest and its marketing between September 1st, 1930, and May 31st, 1931. This period may be taken as virtually the equivalent of a year, since

it includes the months during which the best part of the trade takes place; in the three months of the dead season there is little hope of any increase in the total sale figures.

As compared with 50,055 tons exported in 1929 at 78,880 drachmæ per ton, and 49,195 tons exported in 1930 at 68,750 drachmæ per ton, only 37,540 tons were sold during the period September 1st, 1930, to May 31st, 1931, with a total value of 991,200,000 drachmæ (26,400 drachmæ per ton), which represents a further reduction of 23.7 per cent in the quantities and 61.6 per cent in the prices.

As regards the quantities, there may be a chance (though, as stated, it is only a slight one) of an improvement in the months June-July-September 1931; but the position in regard to prices is bound to grow worse, since, in the first place, the best qualities have already been sold, and, in the second place, the fall in prices is always more marked at the close of the season.

As stated, the sale price of tobacco shows an average fall from 78.88 drachmæ per kilogramme in 1929 and 68.75 drachmæ in 1930 to 26.40 drachmæ. This figure is averaged on the prices of different qualities graded in seven classes as in the following table (which also shows the quantities and values per class of tobacco sold between September 1st, 1930, and May 31st, 1931):

Class of tobacco	Quantity Kilogrammes	Value Drachmæ	Average sale price Drachmæ
I. Thrace . . . . .	3,700,000	126,550,000	34.20
II. Eastern Macedonia . . . . .	11,635,000	407,560,000	35.—
III. Central and Western Macedonia . . . . .	5,670,000	126,630,000	22.35
IV. Thessaly and Phthiotis . . . . .	5,800,000	97,880,000	16.85
V. Ætolia, Acarmania and Epirus . . . . .	4,810,000	126,180,000	26.25
VI. Attica and the Islands . . . . .	4,515,000	95,550,000	21.15
VII. Peloponnese . . . . .	1,410,000	10,850,000	7.70
Total . . . . .	37,540,000	991,200,000	26.40

The following table shows the items which constitute the cost price of high-grade tobacco from Eastern Macedonia:

*Cost of Production per Deciare.*

	Drachmæ
Labour . . . . .	400
Cost of planting . . . . .	280
Watering . . . . .	125
Cost of sowing . . . . .	375
Cost of weeding (five women's wages) . . . . .	150
Cost of harvesting (twelve men's wages) . . . . .	600
Cost of treatment . . . . .	800
Fertilisers . . . . .	200
Drying . . . . .	75
Insurance against hail . . . . .	75
Insurance against fire and interest on working capital . . . . .	400
Interest on fixed capital . . . . .	400
Overhead costs and unforeseen expenditure . . . . .	120
Total . . . . .	4,000

The average yield per deciare in this district is 75 kilogrammes, so that the cost per kilogramme works out at 53.35 drachmæ, or 18.35 drachmæ more than the sale price.

It is the same with the other classes of tobacco, as will be seen from the following table:

Class of tobacco (see above)	Average cost of production per deciare Drachmæ	Average yield per deciare Kilogrammes	Average cost of production per kilogramme Drachmæ	Average sale price per kilogramme Drachmæ	Difference between cost of production and sale price Drachmæ
I . . . . .	3,500	70	50.—	34.20	—15.80
II . . . . .	4,000	75	53.35	35.—	—18.35
III . . . . .	2,000	85	23.55	22.35	— 1.20
IV . . . . .	1,250	80	15.65	16.85	+ 1.20
V . . . . .	2,500	80	31.25	26.25	— 5.—
VI . . . . .	1,250	75	16.65	21.15	+ 4.50
VII . . . . .	750	100	7.50	7.70	+ 0.20



There is no possibility of cutting down the cost of production, as a glance at the figures of the wages paid will show.

Fifty drachmæ (3.35 gold francs) per man per day and 30 drachmæ (2 gold francs) per woman—such are the wages in Macedonia, where the cost of production per deciare is 4,000 drachmæ. In other districts, where the cost of production is much less, as the preceding table shows (3,500 drachmæ in Thrace; 2,500 drachmæ in Ætolia, Acarnania and Epirus; 2,000 drachmæ in Central and Western Macedonia; 1,250 drachmæ in Thessaly, Phthiotis, Attica and the Islands; 750 drachmæ in the Peloponnesus), wages are very much less.

The total loss occasioned by selling below the cost of production during the period under consideration is shown in the following table:

Class of tobacco (see above)	Quantity sold Kilogrammes	Loss (—) or profit (+) per kilogramme Drachmæ	Total loss (—) or profit (+) Drachmæ
I . . . . .	3,700,000	—15.80	— 58,460,000
II . . . . .	11,635,000	—18.35	—213,502,000
III . . . . .	5,670,000	— 1.20	— 6,804,000
IV . . . . .	5,800,000	+ 1.20	+ 6,960,000
V . . . . .	4,810,000	— 5.—	— 24,050,000
VI . . . . .	4,515,000	+ 4.50	+ 20,317,000
VII . . . . .	1,410,000	+ 0.20	+ 282,000

This amounts to a total difference of 275,256,750 drachmæ, or some 18,500,000 gold francs.

## II. OIL.

### *Cost of Production per Deciare.*

Cost of cultivation . . . . .	Drachmæ 60
Cost of pruning . . . . .	50
Cost of harvesting and pressing . . . . .	150
Fertilisers . . . . .	75
Various taxation . . . . .	50
Overhead costs and insurance against hail . . . . .	30
Interest on working capital . . . . .	30
Interest on fixed capital . . . . .	225
Total . . . . .	<u>670</u>

The average yield per deciare is 32 kilogrammes, so that the cost of production works out at 21 drachmæ per kilogramme. The sale price averages 11 drachmæ per kilogramme, so that there is a loss for the producer of 10 drachmæ per kilogramme, or 320 drachmæ per deciare.

## III. WINE.

### *Cost of Production per Deciare.*

Cost of cultivation . . . . .	Drachmæ 300
Sulphur treatment . . . . .	90
Cost of gathering and pressing . . . . .	160
Overhead costs and unforeseen expenditure . . . . .	30
Interest on working capital . . . . .	60
Interest on fixed capital . . . . .	275
Amortisation of plant . . . . .	110
Total . . . . .	<u>1,025</u>

The average yield per deciare is 400 kilogrammes, so that the cost of production works out at 2.50 drachmæ per kilogramme (cost of production of average quality wine; other qualities range from 1.75 drachmæ per kilogramme up to 3.25 drachmæ per kilogramme for the highest quality).

Taking into account the fall in sale prices in foreign markets, and deducting cost of transport and trading costs, the producer is left with no more than 1.80 drachmæ per kilogramme; so that there is a loss of 0.70 drachmæ per kilogramme, or 280 drachmæ per deciare.

IV. RAISINS.

<i>Cost of Production per Deciare.</i>	Drachmæ
Cost of cultivation . . . . .	310
Care of plants . . . . .	250
Chemical treatment . . . . .	240
Cost of gathering . . . . .	125
Overhead costs and insurance against hail . . . . .	110
Interest on working capital . . . . .	140
Interest on fixed capital. . . . .	500
	<hr/>
Total . . . . .	1,675

The average yield per deciare is 600 Venetian pounds, so that the cost of production works out at 2.80 drachmæ per pound. The average sale price is 2.20 drachmæ per Venetian pound so that there is a loss for the producer of 0.60 drachma per pound, or 360 drachmæ per deciare.

\* \* \*

The outcome of such a situation is obvious. The producer, working at a loss, is compelled to contract new debts in order to continue to grow his crops and satisfy his personal requirements—a purely temporary palliative which is worse than the original evil. The interest payments on the new loans augment the cost of production, and the position of the producer becomes more and more critical. Compelled to make petty economies in order to provide for current cash requirements, he is unable to improve his methods of cultivation and thereby reduce his cost of production. Again, the rate he has to pay for his loans will be increasingly usurious in proportion as his position is affected, particularly as there is scant prospect of his marketing the whole of next year's crop, which constitutes the security for his borrowing.

The banks themselves, in order to avoid being involved in heavy losses, are compelled to restrict their agricultural business to a minimum, and continually to raise the terms on which they are prepared to finance producers.

The latter, accordingly, are faced with complete ruin. To say nothing of the social perils which such a catastrophe would involve, it is easy to imagine the effect on the balance of payments of a country like Greece, in which agricultural produce constitutes the principal wealth out of which the country has to pay for its purchases and finance the service of its debt to other countries.

\* \* \*

The State has done all in its power to cope with this situation. M. Caramanos' memorandum gives an account of what has been done.

The proposal for the establishment of an international agricultural credit organisation, with which the Greek Government warmly associated itself from the first, cannot fail to bring relief to the producers.

But these measures are, unfortunately, not enough. The crisis goes beyond the limits of the Greek national economy. It is too serious and too deep-seated to allow of a solution by anything less than international action. The urgent need for such action appears to have been recognised in the case of the cereal-producing countries. The Greek Government believes it to be indispensable that such action should be extended to include the agricultural products of Greece.



Geneva, September 4th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION.**

**GENERAL REPORT**

SUBMITTED

by the **Co-ordination Sub-Committee on Economic Questions.**

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INTRODUCTION.<sup>1</sup>

1. Before submitting to the Commission of Enquiry for European Union our proposals in regard to the reports that have been laid before us, we should like to dispel a certain impression of incoherence that might arise on account of the number of those reports and the variety of the subjects dealt with by the various committees.

In point of fact, anyone who can succeed in grasping the relations between these subjects will find that there is not one of them that is not intimately linked with all the others. Thus the extent and urgency of *credit problems* — whether they affect Government loans or

<sup>1</sup> The reports of the various special Committees and the other documents submitted for consideration by the Co-ordination Sub-Committee and the Minutes of the latter are enclosed with this report and are listed in the Appendix to it.

commercial credit — now demonstrate more clearly than ever that the whole foundation of economic life resides in a ready and adequate supply of capital. These problems are directly connected with action in the matter of *public works* or *national equipment*, to which part of the International Labour Office report is devoted. This action, again, if successful, might provide valuable outlets for skilled labour, and thus touches on the problem of the *international provision of employment*.

Finally, the *circulation of capital* is so closely bound up with the circulation of goods that it must hold a foremost place in any scheme aiming either at greater *freedom of international trade* in general or at the *disposal of cereals* in particular.

Similarly, we find that the problem of *labour migrations* and that of the treatment of foreigners form a counterpart, in any conception of a better economic organisation, to the problem of the *reduction of tariff barriers*, on which depend in the case of agriculture the demand for greater facilities for the *trade in stock-breeding products*, and in the case of industry the problem of a rational development of the *different forms of industrial organisation* on international lines.

All these questions, together with others mentioned — for example, in the Unemployment Committee's report on the *co-operation of the factors in production for the exploitation of territories not utilised* — touch, complete one another and overlap, each demanding its own special place in the conception of a *rapprochement* which is the dominant feature of the report of the Sub-Committee of Economic Experts.

The Commission of Enquiry for European Union should therefore examine the various reports as a single whole, without losing sight of the influence of each of these questions on the others.

It is in the hope of assisting the Commission in this direction that we have grouped all the different subjects together in this report, though we have no time to examine them in detail.

2. There is, however, a fundamental idea which in one form or another occupies the foremost place in almost all the reports. We refer to Europe's urgent need of a prompt *restoration of confidence*, meaning by that both the indispensable faith of the capitalist, the merchant, the manufacturer in the stability of the economic system in which they operate and the imperative necessity of being able to count on stable and cordial international relations in the political sphere.

The Sub-Committee of Economic Experts, in particular, views the absence of confidence, if not as the sole cause of the present crisis, at least as the principal factor " which tends to maintain and prolong it ".

" It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs. "

On that condition alone does the Sub-Committee anticipate any large scale revival of trade and financial operations.

The Committee on Credit Problems heavily stresses the same idea.

The Co-ordination Sub-Committee accordingly expresses the earnest hope that the meetings of the Commission of Enquiry for European Union and the League Assembly will afford an opportunity of stimulating and encouraging a policy of genuine international co-operation.

## I. ECONOMIC RELATIONS AND INDUSTRIAL ORGANISATION.

1. The report by the Sub-Committee of Economic Experts is distinguished by one special feature from the numerous reports previously published by the League on similar subjects, and, in particular, from the conclusions of the World Economic Conference of 1927. This feature is the assertion, by a group of men who are daily at grips with the difficulties of economic life, that even when Europe has emerged from the present crisis she cannot hope for a real economic revival unless she is prepared gradually to adapt the traditional conception of separate national economic units and to approximate it — with every necessary precaution, and possibly in forms as yet unknown — to the conception of one vast market accessible on equal terms to all or most of the producers of Europe.

" The ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it. "

The experts are convinced that a mere return to the traditional pre-war state of affairs would not suffice to achieve the two-fold object which it is our business to pursue: to contribute to the establishment of a lasting peace and to provide the necessary conditions for such a development as Europe is entitled to expect, since for generations she has freely given intellect, man-power and capital to all the other continents and is still, despite her misfortunes, equipped with the most powerful and varied means of production.

It is this consideration that has led our experts to contemplate the possibility for the European countries of *rapprochements* capable of developing into an economic and Customs union of the whole of Europe.

Anxious, however, not to aggravate the present difficulties by importing disquietude into the public mind and uncertainty into commercial relations, they have endeavoured to accompany this idea with a series of guarantees, chief among which are the following :

The groups of countries which these *rapprochements* affect should be such as to ensure that they are in conformity with the general interest and contribute to the general progress of Europe. They should include free movement of individuals, goods and capital and, indeed, all forms of economic activity, so that a fair balance may be established between advantages and sacrifices. The idea of the future economic solidarity of Europe should be subordinated to the principle of the equitable treatment of commerce, thereby ensuring increasingly close and profitable mutual relations with other countries, especially non-European countries. Finally, should they affect the rights conferred by the most-favoured-nation clause, these agreements should not be allowed to come into force until an understanding has been reached with the countries concerned.

2. We have long been accustomed to consider the phenomenon of commerce from an exclusively national standpoint — that is to say, as representing the relations of every kind between a given economic unit and all the other economic units. Now comes the dominant idea of the economic experts suddenly to change our whole outlook and oblige us to take a bird's-eye view of the network of varied economic relations established among a large number of countries. We are a little staggered by the number and variety of the problems raised by the idea of European *rapprochements*.

Moreover, we realise, like the experts, that it would be extremely difficult in the present circumstances to ask countries which are struggling desperately with the crisis to agree in the interests of Europe to any appreciable reduction of their measures of protection. Pending a return to better conditions, however, we think it necessary, while contenting ourselves for the moment with such modest progress as may be possible, to attempt to change this defensive mentality gradually into a constructive mentality.

We would therefore propose that the Commission of Enquiry for European Union instruct the League Economic Committee, with the help of the material to be prepared by the Secretariat for its use, to study the complex of problems raised by the idea of "economic *rapprochements*" in order to bring it before us in more concrete and accessible forms.

The report of the Sub-Committee of Economic Experts — of which the Co-ordination Sub-Committee has taken cognisance without expressing itself on points of substance — should also, we think, be communicated to all the Governments represented on the Commission of Enquiry for European Union, with a request for their observations. This, together with the other material, will afford the Economic Committee every opportunity — provided it is given sufficient time — for a conscientious and thorough examination of the question.

We agree on this point with the Sub-Committee of Economic Experts and we recommend at once that, with the Council's approval, the Economic Committee should be encouraged to resume and pursue its consultations concerning the most important branches of production.

Based on the idea of "economic *rapprochement*", these consultations should give all those concerned, without exception, an opportunity of examining together the best methods of ensuring a better organisation of each branch of production and of thus contributing to the work of solidarity pursued by the Commission of Enquiry for European Union.

The economic experts, in transmitting their report, requested their Chairman to draw our attention to the fact that "it would undoubtedly be advantageous if, as soon as the form and purpose of the plans in contemplation with a view to bringing about this *rapprochement* have sufficiently taken shape, an opportunity may be provided for a full examination of the possible repercussions and effects which such plans might produce on the interest of non-European States".

This preoccupation of the experts seems to us entirely justified, and we think that the Economic Committee, composed as it is of highly qualified experts enjoying general confidence and chosen from among the different continents, would be particularly competent to undertake this examination.

## II. CREDIT PROBLEMS.

### 1. STATE LOANS.

The Co-ordination Committee has examined the report transmitted to it by the Committee of Government Experts which, together with a delegation of the League Financial Committee, has examined the problem for which the Council appointed it — namely :

"To consider what practical steps could be taken to facilitate the issue of Government loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets."

This Committee on Credit Problems has also had before it the various suggestions made by the French delegation at the session of the Commission of Enquiry for European Union in May 1931 and the results of the enquiries undertaken by the International Labour Office in connection with public works.

With reference to the specific questions submitted to it, the Committee on Credit Problems endorsed without hesitation the proposal of the French Government that the Financial Committee, acting in accordance with the instructions received from the Council of the League, should be prepared to consider such applications from borrowing States as may be made to it for its assistance.

In addition, it indicated the procedure which should, in its opinion, be adopted in this connection. It observed that the Financial Committee, which is the advisory body to the Council in such questions, possesses quite special authority and experience in these matters, and that the creation of a new organism should not be contemplated. It suggests, however, at the same time that, for the purpose of such work as may arise in connection with the issue of international loans in the future, close co-operation with the Bank for International Settlements would be desirable, and that the assistance of Treasury officials would prove useful. In this connection it recalls that the Financial Committee has, in the past, adopted on several occasions a system of creating *ad hoc* delegations consisting of its own members and other persons with special competence in the matters under consideration.

The Commission of Enquiry for European Union may therefore deem it desirable to suggest that the Council should give its approval to the appointment of one or more delegations of this character whenever it may be desirable to have the assistance of Treasury officials.

The various detailed proposals made by the Committee on Credit Problems on other subjects referred to in the document submitted by the French delegation in May 1931 to the Commission of Enquiry for European Union the Council will no doubt desire to refer to the appropriate League organs.

## 2. LONG- AND MEDIUM-TERM CREDITS.

The Sub-Committee of Economic Experts took up an interesting proposal by M. Francqui for the creation of an institution for long- and medium-term credits.

The Co-ordination Sub-Committee proposes that the Commission of Enquiry for European Union should ask the Council of the League to give instructions for the study of M. Francqui's scheme as soon as possible with his assistance.

## 3. SHORT-TERM AGRICULTURAL CREDITS.

The Co-ordination Sub-Committee has received a communication from the International Institute of Agriculture concerning the creation of an international organisation for short-term agricultural credits. It noted that the Institute proposes to hold a Conference to come to a final decision on this subject.

# III. AGRICULTURAL QUESTIONS.

## 1. REPORT OF THE CEREALS COMMITTEE.

The Co-ordination Sub-Committee reviewed the work done by the committee appointed to study the problem of the export of future harvest surpluses of cereals.

To cope with the special difficulties affecting the grain-growing populations of Central and Eastern Europe, and in response to the appeal made to the Commission of Enquiry for European Union in December 1930, systematic action has been taken in several different directions.

An attempt had been made to organise the international wheat market. The Co-ordination Sub-Committee regrets the failure of the London Conference (May 18th to 23rd, 1931) to secure a broad international agreement, on a world basis, between the European and the oversea wheat-exporting countries; it expresses the hope that the efforts to conclude an agreement will be continued energetically.

## 2. TREATIES CONTAINING PREFERENTIAL CLAUSES.

Attempts have also been made to establish bilateral convention agreements for Customs preference for purchases of grain from certain Central and Eastern European countries.

The Co-ordination Sub-Committee notes in this connection that the Cereals Committee (in pursuance of the conclusions of the Second Conference for Concerted Economic Action) has put forward certain conditions, precautions and rules for ensuring that these agreements have the character they must retain — that is to say, that they have the character of temporary and limited exceptions to the most-favoured-nation clause, and do not form a new and permanent system which would be capable of further development and might eventually supersede the old one.



The Sub-Committee thinks that the Commission of Enquiry might recommend that these rules be complied with, including those relating to the sanction of third parties and publicity.

The Sub-Committee, having examined the preferential arrangements laid down in the German-Roumanian Commercial Agreement of June 27th, 1931, and the German-Hungarian Commercial Agreement of July 18th, 1931, expresses the opinion that these arrangements are in keeping with the principles laid down at the Second International Conference for Concerted Economic Action on November 28th, 1930, and that they fulfil the conditions laid down in the report of the Committee to Study the Problem of the Export of Future Harvest Surpluses of Cereals, subject to the consent of the other countries interested.

The Sub-Committee points out that the action taken in the agricultural sphere has been rounded off by the institution of an international mortgage credit. It has learnt with satisfaction of the progress made by the Organising Committee appointed by the Council. It recommends that the third and last step in the foundation of the Institute be taken without delay.

The Sub-Committee is of opinion that the Cereals Committee could still do useful work by examining the most suitable measures for remedying the situation. At its next session, the Commission of Enquiry might perhaps summon a further meeting of the Cereals Committee.

### 3. REQUEST FOR THE EXTENSION OF PREFERENCE TO AGRICULTURAL PRODUCTS OTHER THAN GRAIN.

The Co-ordination Sub-Committee examined a memorandum by the Greek Government on the extension of special facilities to agricultural products other than grain. The ideas set forth in the memorandum were supported by a number of delegations which also asked for the extension of the system to other products.

The Sub-Committee considered that this question should continue to be studied by a special committee like the Cereals Committee. The Commission of Enquiry for European Union expects to be informed of any bilateral agreements, similar to those already concluded on the subject of cereals, that may be concluded in the meantime.

### 4. TRADE IN STOCK-BREEDING PRODUCTS.

The Co-ordination Sub-Committee heard a statement by the Chairman of the Economic Committee of the League on the position of the work being done for the improvement of the trade in stock-breeding products and raw materials of animal origin used for industrial purposes. It noted that three draft veterinary conventions prepared by the Economic Committee in consultation with qualified experts have already been communicated to Governments for their observations, with a view to a future international diplomatic conference on the three drafts.

Inasmuch as these drafts are not concerned with the paramount question of the export and import of animals and meat, the Polish and Czechoslovak delegates, supported by other delegates, made proposals for the work in progress for the introduction of a liberal regime, as regards the trade in and transit of stock-breeding products to be expedited, and for the Economic Committee of the League of Nations to be requested to prepare a preliminary draft international convention on the import and export of animals, meat and other products of animal origin.

## IV. UNEMPLOYMENT.

The problems connected with labour, which have become exceptionally acute owing to the severe unemployment crisis, were taken up and examined by the various Committees with special care.

1. The Co-ordination Sub-Committee considers that the Commission of Enquiry should approve the proposals concerning *international placing* and, in particular, those for the summoning of a technical conference, to meet upon the terms and with the agenda suggested.

2. The Sub-Committee firmly believes that the execution of public works of common interest might be very valuable to European co-operation, and therefore proposes that the conclusions as to public works put forward by the Unemployment and Credit Problems Committees be approved and that the examination of any schemes submitted by Governments to the League of Nations be undertaken by the Committee of Enquiry set up for this purpose by the Communications and Transit Organisation. The latter Committee should be completed by the addition of representatives of the International Labour Office and, if necessary, of the competent organs of the League.

Should the execution of the public works in question require financial support from the League, the conclusions of the Committee of Enquiry would be submitted to the Financial Committee.

The Commission of Enquiry for European Union would be kept informed of the progress of this work.

3. The Sub-Committee has taken note of the suggestions made by the International Institute of Agriculture with a view to the co-operation of the various factors of production

for the exploitation of territories not utilised. It agrees with the Unemployment Committee that these suggestions must inevitably, sooner or later, exceed the European horizon, and proposes that the League Council should submit them for examination by its competent organs, in concert with the Unemployment Committee.

#### V. PACT OF ECONOMIC NON-AGGRESSION.

The Co-ordination Sub-Committee discussed the draft Pact of Economic Non-Aggression presented by the delegation of the Union of Soviet Socialist Republics. It recommends to the Commission that the Pact be studied in greater detail.

The delegation of the Union of Soviet Socialist Republics suggested that, if no immediate decision could be reached, this study should be entrusted to a special committee to be appointed by the Commission of Enquiry.

#### VI. LIAISON WITH THE LEAGUE ADVISORY ORGANISATIONS.

The Co-ordination Sub-Committee expresses the opinion that the examination and study which may be referred to the League's permanent advisory bodies, and to which reference is made in this report, should be pursued in liaison with the Commission of Enquiry. The liaison should be established through a member of that special committee of the Commission of Enquiry which has studied the question with which the permanent technical organisation is called upon to deal.

#### VII. CONCLUSIONS.

The wealth and abundance of the material investigated by the Co-ordination Sub-Committee will be clear from the foregoing.

There are, however, in this wealth of material, certain major guiding ideas which the Sub-Committee would, in conclusion, like to emphasise.

The first of these is that the psychological factor dominates the economic crisis affecting most nations to-day, and it is for politicians, above all, to influence men's minds by spreading through the world, by their actions, a general feeling of confidence.

The second idea is that there is no one miraculous prescription capable of restoring economic equilibrium in a few months, nor is there any single strict theory which can be recommended as capable, in itself, of leading to success. It would rather appear to be necessary to discard every preconceived opinion, to be guided by experience, and to seek for remedies wherever there seems to be a chance of finding them.

All the efforts and attempts referred to in this report will be effective if they are permeated by a spirit of co-operation, association and mutual aid.

It should not be forgotten that, by virtue of its scale and its general character, the present economic crisis raises new problems, to the proportions and complexity of which men's minds will have to adjust themselves. If they do so unreservedly, each contributing his due share to the common task, hope and confidence will take the place of anxiety and doubt.

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#### Appendix.

##### LIST OF DOCUMENTS SUBMITTED TO THE ECONOMIC CO-ORDINATION SUB-COMMITTEE FOR EXAMINATION (AUGUST 31ST, 1931).

1. Report of the Sub-Committee of Economic Experts.  
Document C.510.M.215.1931.VII.
2. Report of the Credit Problems Committee.  
Document C.504.M.211.1931.VII.
3. Memorandum by the President of the International Institute of Agriculture on the  
Creation of an International Organisation for Short-term Agricultural Credits.  
Document C.501.M.209.1931.VII.
4. Report of the Committee to study the Problem of the Export of Future Harvest  
Surpluses of Cereals.  
Document C.430.M.179.1931.VII.

5. **Communications from the German and Roumanian Governments regarding Preferential Customs Duties for the Import into Germany of Barley for Fodder and of Roumanian Maize.**  
Document C.503.M.210.1931.VII.
  6. **Communications from the German and Hungarian Governments regarding a Preferential Customs Duty for Wheat of Hungarian Origin when imported into Germany.**  
Document C.507.M.213.1931.VII.
  7. **Extension of the Special Facilities to Agricultural Products other than Cereals: Communication from the Greek Government.**  
Document C.486.M.207.1931.VII.
  8. **Conclusions of the Economic Committee on the Problem of the Trade in and Transit of Farm Products of Animal Origin (Draft Veterinary Convention).**  
Document C.427.M.177.1931.II.B.
  9. **Report of the Committee on Unemployment.**  
Document C.437.M.184.1931.VII.
  10. **Draft Pact on Economic Non-Aggression submitted by the Government of the Union of Soviet Socialist Republics.**  
Document C.354.M.153.1931.VII.
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Geneva, September 17th, 1931.

**LEAGUE OF NATIONS**

**CLAIM MADE BY THE FINNISH GOVERNMENT WITH  
REGARD TO FINNISH VESSELS USED DURING THE WAR  
BY THE GOVERNMENT OF THE UNITED KINGDOM.**

*Note by the Secretary-General.*

The Secretary-General of the League has the honour to communicate to the Council and the Members of the League a memorandum which was transmitted to him on September 17th by the United Kingdom delegate on the Council in reply to the observations of the Finnish representative at the meeting of the Council on September 14th, 1931.

**MEMORANDUM BY THE UNITED KINGDOM DELEGATE ON THE COUNCIL,  
PRESENTED IN REPLY TO THE OBSERVATIONS OF THE FINNISH REPRESENTATIVE  
AT THE MEETING OF THE COUNCIL ON SEPTEMBER 14TH, 1931.**

1. The present memorandum relates exclusively to the question whether the Finnish shipowners did or did not exhaust the remedies open to them under the law of the United Kingdom.

The statement of the Finnish representative on this case before the Council contained certain observations relating to other points, to which it may also be necessary to reply, but the material for this purpose is not available to the United Kingdom delegation in Geneva. Consequently, the United Kingdom delegate desires to reserve his right to present, if it should be found necessary, a further reply on these points. As regards the questions raised by the Finnish delegate relating to the interpretation and application of certain articles of the Covenant, these have already been dealt with by the United Kingdom delegate in his oral statement before the Council at its meeting on September 14th.

The references in the present memorandum to pages and paragraphs of the statement of the Finnish representative relate to the typescript text of his statement in French circulated by the Finnish delegation at the meeting of the Council.

2. The claim which is brought by the Finnish Government before the Council in the present case is a claim on behalf of certain individual Finnish shipowners to receive payment and compensation in respect of the use of their ships by His Majesty's Government in the United Kingdom during the war, in 1916 and 1917. It is clear that this is a claim, which must come within the scope of the well-established rule of international law that the individuals concerned must have exhausted all their remedies under the municipal law of the country concerned as a condition precedent to the right of the Government, whose nationals the claimants are, to take up the claim and make it its own and present it through the diplomatic channel. In such a case, unless and until this condition precedent has been fulfilled, the claimants' Government has no right to take up the case diplomatically at all and, if the condition is fulfilled, must base its case on the failure of the country concerned to fulfil its international obligations to provide a system of law and of courts of justice through which private individuals may obtain redress in conformity with the requirements of international law. Until the municipal remedies have been exhausted, it is obviously impossible in such a case to contend that a State has failed to fulfil its international obligations in this respect. Until this condition has been fulfilled, such a claim cannot assume an international character at all.

No ground whatever has been indicated by the Finnish Government why the present case should not fall under this rule.

The United Kingdom delegate is, in the circumstances, unable to understand the observation of the Finnish delegate (page 5, paragraph 3):

“ C'est, en effet, à bonne raison que le Gouvernement britannique, dans son argument précédent, a omis de faire l'exception en question, étant donné que dans le présent cas l'objet du différend n'est pas de ceux qui, au sens propre du terme, relèvent de la compétence d'une autorité nationale. C'est le caractère international qui y prévaut, et l'essence de la question se prête à une interprétation et à un examen d'après les principes du droit international.”

3. The United Kingdom delegate is unable, owing to the relevant diplomatic correspondence not being immediately available, to state whether he admits the correctness of the statements of the Finnish delegate (1) that His Majesty's Government never suggested before 1926 that it was necessary for the Finnish shipowners to exhaust their remedies in the courts of the United Kingdom before any diplomatic claim could be considered, or (2) that His Majesty's Government never suggested after 1926 until the present time that the failure to exhaust the right of appeal was an obstacle to any diplomatic claim (page 3 (bottom) and top of page 4). But, in any case, even if the statement is correct, it affords no argument against the validity of this objection now that it is taken by His Majesty's Government. His Majesty's Government has always rejected the claim. If His Majesty's Government, conscious of possessing a perfectly good defence to the Finnish claim on the merits, preferred in the earlier stages of the case, to base its rejection on grounds referring to the merits of the case rather than on this preliminary objection, and thus to endeavour to demonstrate the reasonableness of its action, such action in no way prejudices the right of His Majesty's Government to take this objection at a later date if the Finnish Government continue to press the claim. His Majesty's Government no doubt did contend that the decision of the tribunal of first instance (the Admiralty Transport Arbitration Board) must be regarded as settling the dispute—a contention which is well founded because the Finnish shipowners did not choose to appeal from that decision, and the time for appeal has now expired.

4. The Finnish delegate, however, contended in his observations that the Finnish shipowners did, in fact, exhaust their municipal remedies (pages 6-8). The United Kingdom delegate disputes this contention on two separate grounds. These grounds are (a) that one of the grounds upon which the claim is now based by the Finnish Government has never been submitted to any British tribunal at all, and (b) that the other ground upon which the claim is based is one which was submitted to an English tribunal of first instance from which an appeal lay, but from which no appeal was brought. It is necessary to take these two grounds separately.

5 (a). The ground of claim which has never been submitted to any English tribunal at all is that which was first of all set out in the first Finnish memorandum (League document C.470. M.200.1931.VII), paragraph 32, last sentence:

“ But, if, contrary to the present submission, it were to be established as a fact that, by virtue of an agreement or agreements with the Russian Government, the liability incurred by the British Government in respect of the use and loss of the ships was contractual in character, it would be submitted that the rights corresponding to such liability accrued in the first instance to the owners.”

It must be admitted that the manner in which this ground of claim was formulated in the Finnish memorandum was not very clear. The memorandum appeared, however, to His Majesty's Government to formulate some claim of a contractual character based presumably upon a contract to be implied from the user of the ships by His Majesty's Government. It was for this reason that, in His Majesty's Government's memorandum (League document C.519.M.218.1931.VII), paragraphs 18 and 22, it was pointed out that claims based upon contract formed (as the Finnish delegate admits in his observations) an exception under the Indemnity Act and could have been entertained by the ordinary English courts, and that the Finnish shipowners had failed to take this course. This interpretation of this passage in the Finnish memorandum seemed the more probable, seeing that, in another case, where the circumstances were very analogous, relating to Russian (though not Finnish) ships, the shipowners did bring proceedings, based upon implied contract, by “ Petition of Right ” against His Majesty's Government before the ordinary courts. It now appears, however, from the observations of the Finnish delegate before the Council (page 6) that the Finnish Government does not claim that there is any contract, express or implied, between the Finnish shipowners and His Majesty's Government in respect of the period now under discussion. The ground of claim (which the United Kingdom delegate still finds it somewhat difficult to understand) appears to be that if there was a contract between His Majesty's Government and the Russian Government, as His Majesty's Government alleges, the sums payable under this contract would, *under public international law*, enure to the benefit of the Finnish shipowners, but that it would not have been possible under English law for the Finnish shipowners to have based any claim against His Majesty's Government upon this ground.

In reply to this, the United Kingdom delegate desires to call attention to the well-accepted principle of English law that international law is part of the law of England, and to quote in this connection an extract from a judgment of a former Lord Chief Justice of England in a well-known case. The Lord Chief Justice said:

“ The second proposition urged by Lord Robert Cecil that international law forms part of the law of England requires a word of explanation and comment. It is quite true that, whatever has received the common consent of civilised nations must have received

the assent of our country and that to which we have assented along with other nations in general may properly be called international law and *as such will be acknowledged and applied in our municipal tribunals when legitimate occasion arises for those tribunals to decide questions to which doctrines of international law may be relevant.* But any doctrine so invoked must be one really accepted as binding between nations, and the international law sought to be applied must, like anything else, be proved by satisfactory evidence which must show either that the particular proposition put forward has been recognised and acted upon by our country or that it is of such a nature and has been so widely and generally accepted that it can hardly be supposed that any civilised State would repudiate it.”<sup>1</sup>

The presumption, therefore, is that, if there is any ground in public international law for the claim as thus put forward by the Finnish delegate, this ground would be acknowledged and accepted by the English courts. In view of this, the Finnish Government is not entitled to contend that it has a valid claim in a matter of this kind, based upon public international law, and that the English courts are not in a position to give effect to such a claim, unless and until the Finnish nationals concerned have had recourse to the English courts and given them an opportunity to pronounce upon the matter.

Further, the ground of claim (even as now re-stated in the Finnish delegate's observations) still appears to be one of a contractual or quasi-contractual character, if it is possible to classify it in ordinary terms at all. It would, at any rate, not appear to be one to which the Indemnity Act applied. The United Kingdom delegate certainly knows of no case in which a claim based upon such a ground has ever been brought before the English courts; but, on the other hand, he ventures to suggest that the principle of international law upon which the Finnish delegate founds this ground of his claim is a novel one.

For this reason, the United Kingdom delegate maintains that it is perfectly clear that the Finnish Government are now basing this claim upon a ground which never has been submitted to the English courts and which should have been so submitted before it can be raised diplomatically.

(b). As regards the other ground of claim—namely, that the ships were, in fact, requisitioned by His Majesty's Government, a claim which was rejected by the tribunal of first instance—the United Kingdom delegate admits that an appeal only lay from the Admiralty Transport Arbitration Board upon “any direction or determination of the tribunal on any point of law”. He submits, however, that the point at issue was entirely one of law. The question whether these ships were requisitioned by His Majesty's Government is one which depends (a) upon the determination of the facts as to what actually took place—a question of fact; and (b) upon the legal deduction to be drawn from the facts so found—*i.e.*, whether they constituted a requisition or not—which is a question of law.

So far as the facts in the present case are concerned, the United Kingdom delegate submits that a comparison of the memoranda submitted by the Finnish Government and His Majesty's Government respectively will show clearly that none of the important facts are really in dispute. Thus, for instance, it is common ground that the ships were at all relevant times in ports of the United Kingdom; that they were, in fact, used by His Majesty's Government; that there was never any formal act of requisition by His Majesty's Government; that there was a formal requisition by the Russian Government Committee on behalf of the Russian Government; that the representatives of the shipowners went to Petrograd to negotiate with the Russian Government the terms of hire and rates of compensation for loss of the ships; that the outbreak of the second Russian revolution prevented these negotiations from resulting in the drawing up of formal documents; and that, in the case of one ship which was lost, the compensation for loss was actually paid to the owners by the Russian Government Committee.

On the other hand, the inference to be drawn from these facts is a question of law. Before the Admiralty Transport Arbitration Board, the Finnish shipowners made a submission of law which is set out in the judgment of the Board, which will be found in Appendix 7 to the memorandum of His Majesty's Government (document C.516.M.218.1931.VII), where it is stated that:

“Counsel for the claimants contended that a requisition is constituted by taking and using, and nothing more is necessary to establish a claim under the Indemnity Act”.

This was a submission on a point of law which it was necessary for the claimants to make in order to establish their case, seeing that it was admitted that there was no formal requisition, and this contention the tribunal rejected in the following words:

“Taking and using are no doubt elements in the requisition of a ship, but they are not the sole elements. In order to bring the case within the Indemnity Act, it must be a taking in the exercise or purported exercise of a prerogative right or statutory right of His Majesty the King.”

It will be seen, therefore, that the judgment of the tribunal of first instance is based upon a decision on a point of law, and that the decision on this point of law was essential to the conclusion reached by the tribunal.

<sup>1</sup> West Rand Gold Mining Co. v. Rex (1905, 2 K.B. 391, at page 406). The case turned upon a question of State succession in international law.



It was clearly open to the claimants to appeal to the Court of Appeal upon this question of law, which was in fact, the basis of the whole of the decision of the Admiralty Transport Arbitration Board against them. The Indemnity Act, in allowing an appeal upon points of law, while not allowing an appeal on questions of fact, introduced no novel principle into English law. Other examples of appeals allowed upon this ground only are to be found. For instance, the County Courts Act, 1888, Section 120, which regulates appeals from county courts to a divisional court of the High Court of Justice, provides for an appeal on "any point of law or equity or on the admission or rejection of any evidence", and a passage in Halsbury's "Laws of England" commenting and explaining this provision (Volume VIII, page 601) reads as follows:

"Where there is no jury, the findings of fact of the judge are final; but where it is clear that *such findings are dependent on an erroneous view of the law*, or where there is no evidence to support such findings, an appeal lies."

Further, under the Indemnity Act, a number of appeals were brought to the Court of Appeal from the Admiralty Transport Arbitration Board and other corresponding tribunals set up under this Act against findings of fact based on alleged erroneous views of the law. Though by no means all such appeals to the Court of Appeal are reported in the Law Reports, and though not all the English Law Reports are available in the Library of the Secretariat, it has been possible to find in that library at least two instances of appeals to the Court of Appeal based upon the question whether the facts in the case constituted a requisition or not.<sup>1</sup>

6. For these reasons, the United Kingdom delegate contends that, in the present case, there was an effective right of appeal to the Court of Appeal open to the Finnish shipowners, and that they have failed to exercise this right. For the reasons set out in the preceding paragraphs of this memorandum, the United Kingdom delegate contends that it is perfectly clear that, in the present case, the Finnish shipowners failed to exhaust the remedies open to them under the municipal law of the United Kingdom, and that, in consequence, the condition precedent for diplomatic intervention under the well-established rule of international law not being satisfied, the present case is not one which the Finnish Government have now, or ever have had, the right to make the subject of a diplomatic claim.

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<sup>1</sup> See *The Moss Steamship Co. v. the Board of Trade* (1 K.B. 44, 44 A.C. 133). *Commercial and Estates Company of Egypt v. the Board of Trade* (1925, 2 K.B., 271).

[Distributed to the Council  
and the Members of the League.]

Official No. : **C. 681.M. 287.** 1931. VII.  
[C.E.U.E. /4th Session /P.V.]

Geneva, October 30th, 1931.

LEAGUE OF NATIONS

**COMMISSION OF ENQUIRY  
FOR EUROPEAN UNION**

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**MINUTES  
OF THE  
FOURTH SESSION OF THE COMMISSION**

*Held at Geneva from September 3rd to 5th, 1931.*

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Series of League of Nations Publications

VII. POLITICAL ✓

1931. VII. 15.

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LIST OF MEMBERS.

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- President:* His Excellency M. Giuseppe MOTTA (Switzerland),  
Federal Councillor, Head of the Political Department.
- Albania:* His Excellency M. Lec KURTI, Resident Minister, Permanent delegate accredited to the League of Nations.
- Austria:* His Excellency Dr. Johannes SCHÖBER, Vice-Chancellor and Minister for Foreign Affairs.
- Belgium:* His Excellency M. Paul HYMANS, Minister for Foreign Affairs.
- British Empire:* The Right Honourable Viscount CECIL OF CHELWOOD, K.G.
- Bulgaria:* His Excellency M. Vladimir MOLLOFF, Member of the Chamber of Deputies, Former Minister for Finance.
- Czechoslovakia:* His Excellency M. Eduard BENEŠ, Minister for Foreign Affairs.  
His Excellency Dr. Kamil KROFTA, Envoy Extraordinary and Minister Plenipotentiary.
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- France:* His Excellency M. Pierre FLANDIN, Minister for Finance.
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- Irish Free State:* The Honourable Patrick MCGILLIGAN, Minister for Foreign Affairs.  
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- Luxemburg:* His Excellency M. Joseph BECH, Minister of State, Prime Minister, Minister for Foreign Affairs.
- Netherlands:* His Excellency Jonkheer F. BEELAERTS VAN BLOKLAND, Minister for Foreign Affairs.
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- Yugoslavia:* His Excellency Dr. Voislav MARINKOVITCH, Minister for Foreign Affairs.

GOVERNMENTS INVITED.

*Free City of Danzig*: His Excellency M. Auguste ZALESKI, Minister for Foreign Affairs of Poland.  
Dr. Arthur GRÜNSPAN.

*Iceland*: His Excellency M. Sveinm BJOERNSSON, Minister at Copenhagen.

*Turkey*: His Excellency Dr. TEVFIK ROUHDY Bey, Minister for Foreign Affairs.

*Union of Soviet Socialist Republics*: M. Maxime LITVINOFF, People's Commissar for Foreign Affairs.

OBSERVERS.

*Canada*: Dr. RIDDELL, M.A., Ph.D., Dominion of Canada Advisory Officer accredited to the League of Nations.

*Japan*: M. Nobumi Iro, Assistant Director at the Japanese League of Nations Office.

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FIRST MEETING (PRIVATE, THEN PUBLIC).

*Held on Thursday, September 3rd, 1931, at 11 a.m.*

*Chairman: M. MOTTA (Switzerland).*

**35. Election of the Chairman.**

On the proposal of M. FLANDIN (France), seconded by M. GRANDI (Italy), the Commission unanimously elected M. MOTTA (Switzerland) Chairman pending the arrival of M. Briand. (M. Motta took the Chair.)

**36. Opening Speech by the Chairman.**

The CHAIRMAN [*Translation*]. — I should like to express my sincere thanks for the honour you have done me and the confidence you have shown in me. I know that I have no special claim to this post of honour; I may perhaps say that your choice is to be taken as a tribute, not to me personally, but rather to the general ideas that govern my country's policy — that is to say, friendship towards all nations and complete impartiality in the international sphere.

I would like to make it clear that I am occupying this chair purely provisionally. I agree to direct your proceedings for the present session. The Chairman of this Commission is still M. Briand, to whom the Commission will wish to offer its best wishes and respects. We hope M. Briand will be entirely restored to health when he reaches Geneva next week, and that he will himself report to the Assembly on our proceedings and present the full account of our work which it falls to our Chairman to submit.

**37. Adoption of the Agenda of the Session.**

On the proposal of the CHAIRMAN, the Commission determined its agenda and decided to discuss first the report from the Co-ordination Sub-Committee on economic questions.

(The Commission went into public session.)

**38. Report of the Co-ordination Sub-Committee on Economic Questions : General Discussion.**

M. BECH (Luxemburg), Chairman and Rapporteur of the Co-ordination Sub-Committee [*Translation*]. — When my colleagues asked me to present the report of the Co-ordination Sub-Committee (Annex 1), it was not my colleagues' intention that I should give you an analysis of the weighty matters placed before us or develop by word of mouth the conclusions of our report. Were I to comment on this report, which was drawn up by a Drafting Committee with the utmost care, I might, quite likely, distort its meaning, since the questions discussed in it are extremely complicated. My instructions are, rather, to state that, according to the Sub-Committee's idea, the documents placed before you form a single whole, the report from the Co-ordination Sub-Committee constituting, so to speak, the introduction.

In addition to the report in question, you have the reports from the Sub-Committee of Economic Experts (Annex 2), the Committee of Credit Problems (Annex 3), the Cereals Committee (Annex 4), and the Unemployment Committee (Annex 5). This collection of documents is completed by the Minutes of the meetings of the Co-ordination Sub-Committee.

In the introductory part of the report, we have tried to group and co-ordinate the various questions that have been examined and which are examined in detail in the body of the report. We have also endeavoured to bring out the very close connection between all these subjects.

Needless to say, the Sub-Committee regrets its inability to devote more time to the problems before it and thus carry out to your entire satisfaction the task entrusted to it by the Commission of Enquiry last May. That task was particularly wide. It was :

“ To co-ordinate and, where necessary, to amplify the conclusions that will be submitted to it after the special meetings of the Committees of experts, but its competence will not necessarily be limited to the questions dealt with at those meetings. On the contrary, the economic sphere with which it will deal is to be conceived on the widest lines.”

Originally, the Sub-Committee was to have met on July 6th, so as to be able to communicate its report to the Commission of Enquiry in good time. Exceptional circumstances, the development of the economic depression and the immediate remedies that various countries were obliged to take in order to cope with urgent emergencies, necessitated the postponement of the meeting until the end of August. The Sub-Committee now sets before you the result of its work during the last three days.



In conclusion, let me stress one point. The guiding idea which has emerged from our proceedings and which will be found in nearly all the reports from the experts is that to achieve any improvement in the European situation the prime necessity is confidence both in the stability of the economic system in which capitalists, traders and business men move and have their being, and in the stability of international political relations.

In this connection, I should like to quote once again from the report of the economic experts :

“ It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs.”

I feel quite certain that the Commission of Enquiry, which includes so many statesmen responsible for their countries' policy, will achieve that closer co-operation and mutual support.

M. SCHÖBER (Austria) [*Translation*]. — The report of the Sub-Committee of Economic Experts courageously asks whether, by a new conception of European co-operation, it would not be possible to bring about a new state of affairs which would promote both an economic revival and lasting peace in Europe.

The Sub-Committee has considered, among other matters, the conditions with which Customs unions should comply if they are to achieve that end.

The report marks substantial progress in the study of the problem of European union. The ideas expressed bear closely on the motives which last March led the Austrian and German Governments to enter into negotiations for a Customs Union. It was clear from the beginning that this scheme could only be realised on condition that other States were prepared to participate in it. We all know how this question developed. In view of this situation, and as the problem of Customs unions has been placed on the agenda of the Commission of Enquiry for European Union, we have come to an understanding with Germany as to our future attitude.

The Austrian Government realises from the events of the past few months that, notwithstanding its intentions, the application of the proposed Customs Union might raise obstacles to confident co-operation between European States. The Federal Government, which takes the view that the advantages of such co-operation are closely bound up with the interests of Austria, therefore declares that it does not intend to pursue the project for a Customs Union.

I hope this declaration will be an essential element in bringing about the necessary general appeasement and in creating an atmosphere in which Governments will be able to co-operate constructively. For various reasons — which the organs of the League of Nations are studying — the economic depression, not only in Austria and Germany, but also in a large number of European States, has extended and become very much worse during the last few months. There has been a critical loss of confidence which is shaking the foundations of European economic life. My declaration — which I take this opportunity (the first that has arisen) to make — is a contribution towards the restoration of mutual confidence.

European co-operation must now become a reality and positive results must be achieved. Austria is doing all she can to help herself. She has recently concluded new commercial treaties with Hungary, Czechoslovakia, Yugoslavia and Roumania and is negotiating an arrangement with Italy. I think I am entitled to say we have not been lacking in initiative.

It is obvious, however, that these negotiations alone will not remedy the present economic depression or create the conditions necessary to sound economic development. In these circumstances, the Austrian Government is the more ready to co-operate in general European action and, as I stated in May, it will give loyal and serious consideration to any proposal in this connection.

In my opinion, the ideas which I expressed here a year ago are perfectly correct. It is impossible for the twenty-seven European States simultaneously to prepare one economic statute applicable to all. This aim can only be attained a step at a time, by groups of States. All the concrete proposals which have been put forward since that time are in harmony with this principle — for instance, the negotiations for tariff reductions now in progress between Great Britain and the principal continental countries, which are of particular importance to British trade. Austria is playing a modest part in these negotiations. She has been unable, pending the result of her own negotiations with her neighbours, to give Great Britain a favourable reply. Now those negotiations have been concluded, she will endeavour to do so. I believe that a satisfactory conclusion to the negotiations between the continental countries and Great Britain would have a decisive influence on European commercial policy.

The French delegation made a proposal last May to the effect that preferential duties should be granted to the countries of Eastern Europe for certain quantities of cereals, and that Austria should be at liberty to accept preferential duties for certain of her exports. Preferential duties on cereals have in the meantime been embodied in several treaties. The consent of the most favoured nations is, however, required to give them practical effect.

The proposal to grant Austria preferential duties has not as yet been discussed. I can best promote this discussion by frankly stating my own views on the matter.

Austria is not in a position to secure unilateral preferential duties except in the case of countries whose exports into Austria have hitherto been far larger than their imports from Austria. In the case of other countries, the most she can hope for is the grant of reciprocal preferential duties. The objections would be greatly diminished if Austria extended the facilities granted to particular countries in return for preferential duties to all countries according her preferential tariffs. There would still remain the difficulty that free trade countries are, as a matter of course, not in a position to grant preferential duties to any country. They admit imports from all countries duty free, or almost duty free. I maintain that such free trade countries should be granted most-favoured-nation treatment in respect of the facilities granted by Austria to which reference has been made. Whether the plan of granting preferential duties to Austria can be carried into effect depends on the attitude adopted by the Commission of Enquiry for European Union.

It is almost certain that, after a review of the proposals that have been made, up to the present, in various quarters, no one will consider that fully satisfactory suggestions for European co-operation have yet been discovered. Other methods must therefore be examined. In the first place, the possibility of successfully establishing mutual free trade between countries which are ready for it should be considered. This is not merely the most effective way of creating larger economic units. It is also a means of proving that, paradoxical as it may seem at first sight, it is easier to establish mutual free trade than to make large tariff reductions.

I should not like to anticipate the subsequent examination of this question, and I therefore only suggest that a Sub-Committee should be appointed to lay down in statutory form what are the essential features of a Customs Union.

M. TÖNISSON (Estonia) [*Translation*]. — When two years ago, at the tenth session of the Assembly, M. Briand put forward the idea for European Union, the warmest supporters of that idea were plainly very doubtful of its chances of immediate success. Since then, however, much has been done to bring about the economic consolidation of Europe. We are glad to see to-day fresh evidence of the progress of this undertaking.

Nevertheless, this progress towards the adjustment of the economic interests of Europe will not suffice to restore complete harmony between the various nations; it requires to be confirmed and upheld by an enlightened conception of the whole system governing international relations.

The foundation of a community of the European nations on the basis of the ideas and convictions now current presents difficulties that are in some cases insurmountable. The melancholy result of the Hague Conferences was due, not only to the political difficulties resulting from the rivalry of the great Powers of Europe, but also very largely to the idea of international law held by the pre-war generations. The notion of an absolute and exclusive sovereignty was so firmly implanted in men's minds at that time that the work of pacification undertaken at the Hague Conferences seemed crazy, not only to the great bulk of the public, but to the best jurists as well.

A new order had to be born in international life before the sovereign States could accept the interference of a higher authority in their political life. It needed the full weight of a universal catastrophe to bend their minds to the conception of the League of Nations; and even now the recent history of the League itself proves the survival of the influence of those old theories in the settlement of international problems. The solution of the question of sanctions against a peace-breaking State is delayed less by the aversion of States to incur the risk of the material sacrifices demanded by measures of coercion than by the persistence of this conception of legal nationalism.

It would therefore seem particularly desirable for our Commission to take the initiative in a movement that is calculated to bring about an evolution of theoretical notions and the advent of a new form of public law which will be really European. With this aim in view, the Commission might invite Governments to promote by all suitable means — the Press, the schools and propaganda on the screen and by wireless — the spread of the European idea among the general public.

Dr. CURTIUS (Germany) [*Translation*]. — This is not the place in which to speak of the dire distress by which so many countries are beset and in which my own country is particularly deeply involved, although we are constantly preoccupied with our position in every step we take. During these meetings at Geneva we shall, I feel sure, find an opportunity to consider, within a larger framework, the general tasks that are imposed upon us by the present state of affairs. To-day I shall deal merely with the concrete questions referred to in the report of the Co-ordination Sub-Committee.

The reports of the three Sub-Committees all aim at the same goal of economic collaboration in Europe with the object of adjusting the conditions of production, extending

markets, and achieving a closer union between the European countries in the economic sphere. That being so, the work of co-ordination was easy. The three Sub-Committees have themselves co-ordinated their work along this common line, because they all three realised the necessity for the evolution of Europe as a whole along this line. I am very pleased to note that fact.

The German delegation, like others, would have desired that certain points of view should have been more fully developed in the three reports, and that certain proposals should have been interpreted in a more elastic way. We do not however insist on our wishes in that respect. We were and we still are prepared to accept the reports as they stand. I trust that other delegations will see their way to do the same. If every country were to insist upon that particular aspect of a problem with which it was most concerned, we should not advance in our common work. We must meet one another half way, and the *via media* of the experts represents a useful balancing of interests.

Ever since the Roumanian Minister of Commerce, M. Madgearu, made it clear at Geneva that the economic existence of certain European countries could not be maintained without a preferential duty for grain, and suggested a system of preference for those countries, his proposal has been warmly discussed again and again. At that time, most countries reacted negatively, because the acceptance of the proposal would apparently entail the abandonment of the most-favoured-nation system. Since then, the idea of a preferential system has been further discussed at many conferences; it has been considered from every angle, both as regards its conditions and its effects, particularly as regards its bearing on the most-favoured-nation clause. These discussions have made it clearer than ever to all concerned that the system based upon the most-favoured-nation clause must remain the basis of the commercial life of Europe and the world. They have shown plainly the serious disturbances that would be caused by the abandonment of that system.

If we are to have preferential arrangements, we must be careful not to go astray so far as to sanction a whole system of preference. There is no question of replacing the most-favoured-nation system by a new system; all we are proposing to do is to authorise, upon certain definite conditions, an exception to the most-favoured-nation clause, an exception that will be limited both materially and in time and will be known and recognised openly.

The conditions were clearly set forth at the various conferences. The decisive point in allowing this exception is that the economic structure of certain European countries is based entirely upon the possibility of exporting grain, and their whole economic existence is imperilled as soon as that possibility is removed.

The development in the output of grain and in the grain markets outside Europe has made it impossible for those countries for the moment to export their wheat on tolerable terms. We must all hope that we shall succeed in putting an end to the abnormal conditions obtaining at present. If we do so, the countries I have mentioned will be able to resume their normal exports. Everybody, I am glad to say, recognises the need for pan-European co-operation in this matter. I appeal to all countries to do nothing to prevent the success of this attempt at European co-operation.

I come now to the report of the Sub-Committee of Economic Experts. All who are familiar with the poverty caused by the economic sub-division of Europe will read that report with the greatest satisfaction. It will, I hope, one day be regarded as the starting-point of a new movement in the economic history of Europe. The German Government will do everything possible to promote the carrying out of the suggestions and proposals put forward.

The Sub-Committee, to which our Commission gave very wide powers to make proposals of all kinds for the improvement of production and trade in Europe, considers that the most important, or rather the only, means of arriving at any fundamental improvement in the economic fabric of Europe would be an economic *rapprochement* or union. The report speaks of a programme of closer economic union, a wider economic unit, a common market for the products of all countries in the continent of Europe. The Sub-Committee has not hesitated to say that it contemplates the conclusion of Customs unions as the final objective of this movement.

The report opens up a very broad horizon. No one present will fail to recognise the obstacles to the achievement of these ideas. There is, however, one thing which may give us cause for optimism. In the last analysis, the economic position will follow its own laws and evolve according to its own rules. It bears its motive force within it. We must recognise the forces and tendencies that are at work. We must fall in with the trend of evolution — for we cannot resist it — so that we may guide it in the right direction.

There is no better proof of the dawning comprehension of this task than the report before us. As short a time as a year ago, ten experts of widely different countries could never have met and agreed upon such a report. This year, the recognition of the absolute need for closer economic co-operation between the European countries has made such vast headway that it has become possible to produce such a report as this. The experts were borne along by the force of that recognition. That force will, I hope, be strong enough to carry the Governments also over all doubts and obstacles towards the goal set before us in the report.

The recommendations of the Sub-Committee of Experts are closely connected with the ideas which a few months ago led to the project of the German and Austrian Governments

of which you are all aware, and that is why I should like to make a few remarks on that subject. My observations, however, will not be concerned with the advisory opinion of the Permanent Court which we shall be receiving in the next few days, and which relates to the juridical side of the question.

In putting forward a plan for a Customs union between our two countries, it was, from the outset, our idea that it should be the starting-point for wider economic agreements in which as many European countries as possible would take part. Since then, events have gone forward rapidly, so that the initial data have changed completely. We have before us here, in the Commission of Enquiry for European Union, certain schemes of a more general character. We wish to co-operate promptly in those schemes to the best of our ability. Expecting as we do a successful outcome for the work of the Commission of Enquiry, the German Government, in agreement with the Austrian Government, does not intend to go on with the plan originally contemplated.

With regard to the report of the Credits Committee, the Financial Committee in 1930 recommended that the assistance of the League should be limited to loans earmarked for the financial reconstruction of a country or for specific purposes such as the settlement of refugees, it being understood that the aid given by the League would not extend to loans intended for general economic purposes. That recommendation was approved later by the Council and the Assembly. True, last year the Financial Committee could not foresee the change in the movement of money and capital that has since occurred. That change justified the reconsideration of the problem in the plan which the French Government submitted to our Commission last May. The report from the Credits Committee represents a very sagacious half-way house between the League's resolutions of 1930 and the French plan. Without attempting to demand the assistance of the League in loans as a fixed rule, the report leaves each country free, if it sees fit, to apply on its own initiative to the League for help in the issue of loans, but rightly advises that we should refrain from setting up, side by side with the Financial Committee, a special organisation for that purpose.

The report of the Credits Committee is completed in harmonious fashion by the valuable remarks of the Sub-Committee of Economic Experts on the relations that must exist between the movement of goods and the movement of capital. There must, the report says, exist a normal relationship between the circulation of goods and that of capital. If that normal relationship is not maintained, the result will be a disturbance of the economic equilibrium. This is not the place for a special discussion of inter-State public indebtedness; but any enquiry into the present crisis and the means for terminating it must take account of the inevitable disturbance caused by political debts in the normal, automatic movements of economic relations. Therefore, the report of the Credits Committee rightly stresses this cause of the present crisis, and refers to the report by the Basle Committee, which demonstrated very impressively the relation of cause and effect between public indebtedness and the present economic and financial emergency.

The report of the Credits Committee is an admirable document in all respects. There is only one point on which I cannot agree with it — namely, when it describes as premature, without however giving any reasons, the consideration of the scheme known as the "Francqui Plan", which has recently attracted very wide attention. In what circumstances, I wonder, would it be urgently desirable to carry out that plan, if not in the present circumstances? When, as we hope, conditions for lending and borrowing have become normal once more, when they have resumed as formerly, so to speak, their automatic way of operation, such plans might be allowed to fall into the background; but to-day, when all the threads have snapped, an instrument of credit like that which M. Francqui recommends may be of the greatest possible value. I am glad that the Sub-Committee of Economic Experts, unlike the Credits Committee, advises us to consider the scheme. I consider its execution to be one of the most urgent tasks before the Commission of Enquiry for European Union.

Although I have expressed satisfaction at the work of the Sub-Committees on many points, the results obtained are nevertheless modest when we compare them with the vast and overwhelming distress of the present time. Many will feel anxious doubts because, in this first year of our European Commission, we have failed, notwithstanding our joint efforts, to do something to bring more prompt and more tangible solace to our suffering peoples. We, however, must not allow ourselves to be paralysed by such doubts. The difficulties that we have steadily come to recognise more clearly in our work must impel us, with ever keener insistence, not to confine our efforts merely to the rapid achievement of what is practicable at the moment, but to address ourselves with courage and resolution to the great tasks that lie ahead.

M. FLANDIN (France) [*Translation*]. — I do not intend to continue the discussion on the whole of the report of the Co-ordination Sub-Committee, valuable and important as it is. Doubtless we shall have an opportunity to return to it later, in connection with the resolutions. I should like, however, to stress the importance of the statements made by M. Schober and Dr. Curtius.

I desire, on behalf of the French Government, to note the intention of their Governments not to pursue the proposal to form a Customs Union between their two countries.

I hope that the anxiety which was undoubtedly caused by that proposal will now be dissipated and that conditions more favourable to the development of European co-operation — which is the reason for the existence of this Commission and, indeed, constitutes its programme — will be created.

I need only recall the part which the French Government on the initiative of M. Briand, has played in bringing this Commission into existence to prove that my country and its Government desire, under all circumstances and with the help of you all, to seek practical means for consolidating peace by creating a genuine community of material and moral interests in Europe.

M. GRANDI (Italy) [*Translation*]. — The Italian delegation has noted with pleasure the declaration of the Austrian and German representatives that their Governments do not intend to carry out their proposal to form an Austro-German Customs Union. The Italian delegation appreciates the spirit in which that decision has been taken, and is happy to note that this special problem now ceases to be a matter for discussion.

The statements of the Austrian and German representatives are bound to make a favourable impression in every European country, because their decision not only removes a cause for uneasiness, but also shows a desire to offer that co-operation by which alone the economic depression — from which Germany and Austria together with the rest of the world are suffering — can be relieved.

M. KROFTA (Czechoslovakia) [*Translation*]. — On behalf of the Czechoslovak delegation, I desire to associate myself with the speakers who have expressed their approval of the main lines of the reports of the various Sub-Committees. As always, Czechoslovakia is prepared to co-operate effectively to bring about European economic *rapprochement* in the sense indicated in the experts' remarkable report.

My country is particularly interested in everything connected with Austria — our immediate neighbour, with whom we have for centuries been in close touch. I welcome the Austrian Government's decision which Dr. Curtius has confirmed, and which will, I think, contribute towards the pacification of Europe and will at the same time be of the greatest advantage to Austria herself. I am sure that we shall be able to co-operate satisfactorily in the interest of the tranquillity and prosperity not only of our own country but of the whole of Europe.

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## SECOND MEETING (PUBLIC).

*Held on Thursday, September 3rd, 1931, at 4 p.m.*

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*Chairman: M. MOTTA (Switzerland).*

### 39. Report of the Co-ordination Sub-Committee on Economic Questions: General Discussion (continuation).

TEVFIK ROUCHDY Bey (Turkey) [*Translation*]. — I have given the closest attention to the Co-ordination Sub-Committee's report and will not hide from you that as regards its general tone, and more particularly the standpoint adopted in the introduction, I hold somewhat different views from those of its authors. I shall not discuss the substance of the report because that might lead us too far and take up time which we can ill afford. Moreover, though I do not accept the premises, I agree, in general, with the conclusions.

I feel, however, that M. Francqui's proposal might have met with a better fate. In view of the great importance of the question to which it relates, the Commission of Enquiry for European Union might itself have set up a special committee in order to avoid any loss of time. M. Francqui's proposal appears to me to be without doubt of real and positive value.

I pass to the report. When the work of this session of the Commission is at an end and we all return to our respective countries, I for one shall be asked for explanations as soon as the Turkish Grand National Assembly meets. Others, it may be, will find themselves in the same case. I shall no doubt have an easy task in dwelling on the complexity of the problems which have arisen and on the aspirations of us all, and in particular our method of procedure. But I should like, in order to remain as far as possible in harmony with the standpoint of the members of the Commission, to be able to read this document to the Turkish Parliament. In this connection let me say, taking my own case, that I think it would be very valuable to forward the Co-ordination Sub-Committee's report to all the Governments, as proposed



in the report of the Economic Experts, with the request that the Governments should communicate it to their national Parliaments.

I think it would be instructive and desirable for the Commission to make itself acquainted with the views which may be formed — whether in the direction of approval, criticism or comment — by the representatives of the masses of mankind in Europe, I mean the qualified representatives of all classes. It is very possible and even probable that the consultation of these representatives will throw new light on our consideration of the subject. I think in making this proposal I am acting in the spirit of the conclusions of the report, and that our task will thereby be considerably facilitated.

Viscount CECIL OF CHELWOOD (Great Britain). — As you are aware, there has recently been a change of Government in my country. The new Government was formed only two days before I left London, and has obviously not had time to go thoroughly into the questions we are discussing here and to give me full instructions. I am sure, however, that broadly speaking the British Government will welcome the very interesting and admirable report which has been presented to us to-day.

May I make one or two general observations? The outstanding feature of the present crisis, as it seems to me, is that it emphasises, in a way no previous event has ever done, the essential interdependence of the States in the modern world. As recently as a year ago, no one anticipated the severity of the financial crisis which has since occurred. What happened? There was first of all the failure of a very important financial bank in Austria. That caused great pressure on the neighbouring countries, including Germany, and placed them in financial difficulties. These in turn reacted on my own country, and the difficulties with which Great Britain was threatened — I do not know that they actually occurred — were viewed with considerable concern by many other countries.

The truth is that all countries are now so closely bound together that sooner or later whatever affects one affects them all. All stand and fall, live and die, together. One of the great questions which the Governments and the League of Nations will have to face is the extent to which and the speed at which they will recognise, by institutions set up in Europe, the very close economic — and, as I think, political — interdependence of the modern world.

I admit the immense difficulties of any proposals that may be made in that direction, but I am in very close agreement with the German delegate's observation that whatever we do, the course of events will drive us to close co-operation. I believe that in co-operation is our only hope of overcoming the crisis.

My second general observation has even less pretence to novelty. In the reports we are considering, we are continually told that what is really the matter with the world is a sudden loss of confidence and of credit. That is the fundamental difficulty. It is expressed with great force and conviction in the report of the Sub-Committee of Economic Experts. I will read only one sentence which shows the consequence of this loss of confidence, and the way in which it directly affects the economic and financial crisis. The report says that the lack of confidence results in

“ . . . a flagging of the spirit of enterprise, the postponement of programmes already decided upon, the abandonment of the search for new markets, the limitation of the purchase of raw materials to daily requirements and the dismissal of workers ”.

It would be impossible, in five phrases, to give a more complete account of the symptoms and consequences of the crisis through which we are now passing.

The next proposal, which follows from this, is that the problem is primarily and essentially psychological. It belongs to that order of phenomena with which we are familiar in our human relations — the phenomenon of panic, a sudden disbelief in the reality of things, and a sudden exaggeration of the dangers that may be anticipated. The real question before the statesmen of the world is how to restore confidence. The changes and reforms actually proposed do not go very far. That is inevitable. In dealing with a matter of this kind, we have to proceed prudently, and to examine any suggestions most carefully. My friend, the Turkish Minister, just now referred to M. Francqui's proposal, and suggested that it had been received too coldly. But he will agree with me that it requires very careful consideration.

It is true that certain relatively small changes, such as the facilitating of League loans, will be of great value, but they are not very far-reaching. Fundamentally, one great principle dominates everything — namely, European co-operation. The proposal that European co-operation should be extended is by far the most hopeful proposal contained in the reports — I am speaking for myself rather than for my Government — and it contains the key to progress. I am sure that we must look in that direction if we are to prevent very serious evils from occurring in Europe.

This is not only an economic remedy; it is of that hybrid type of remedy, the politico-economic. No doubt, in the Assembly and elsewhere, we shall have an opportunity of discussing the political side of this question more thoroughly than we are able to do in this Commission,



but do not let us lose sight of the fact that its purely political aspect is at least as important as its purely financial and economic aspect.

We must act and we must act quickly. The time has gone by when crises can be met by friendly meetings and soothing *communiqués*. We must take active and vigorous steps to relieve the tension and overcome the difficulties. From that aspect of the question, quite as much as from any other, I welcome very cordially the announcements of the Austrian and German delegates this morning. I feel they are evidence of a definite attempt at conciliation and I respectfully tender to Austria and Germany my heartiest thanks and congratulations for their efforts. I can only hope that in our discussions in the Assembly and elsewhere, we shall be able to find even wider and more effective remedies for the difficulties arising from the lack of confidence amongst the nations.

M. LITVINOFF (Union of Soviet Socialist Republics). — During the discussion in the Co-ordination Sub-Committee, I made certain reservations and gave a brief explanation of my attitude with regard to certain practical proposals. Now, when the Commission of Enquiry for European Union is taking a final decision on the Sub-Committee's report, I am obliged to repeat my reservations; and, since the membership of the Co-ordination Sub-Committee does not quite coincide with that of the Commission of Enquiry for European Union, I will venture once again to expound briefly the motives which compel me to make these reservations. This is the more necessary in that the Sub-Committee's report is a summary of the results of the preceding and the present sessions.

The report of the Sub-Committee of Economic Experts points, in almost every line of its introduction, to the existing international mistrust as one of the principal causes of the present economic crisis in Europe. We read there that the Sub-Committee :

“ . . . was struck by the primary importance of the part played by the factor of confidence in aggravating the world situation. The growing international distrust is accentuating the effects of the crisis . . . and obstructing to an ever-increasing extent the whole mechanism of international trade. Lack of confidence . . . tends to paralyse and retard all forms and phases of economic life . . . Removing disturbing elements will help to revive trade. . . Any effort in this direction [the promotion of economic development and lasting peace in Europe] must . . . be based on a spirit of loyal co-operation and the laying aside of any feeling of distrust. . . ”

The economic development of which Europe stands so much in need is dependent upon lasting peace. The same ideas underlie the report of the Basle Committee appointed this year on the recommendation of the London Conference.

The first thing we must ask ourselves is whether the Committee's decisions will promote international confidence and encourage faith in a lasting peace. Whether we refer to international life on a world scale or limit ourselves to Europe, we must realise that international confidence means confidence between all nations, not merely between a limited group of nations. There may be complete solidarity between the majority of States. But if there is not perfect tranquillity in the relations between them and only one other State — especially should this State be an important one — there cannot be international tranquillity or confidence in a lasting peace.

If we speak only of the tranquillity of Europe, we must include all the European States. I represent here a State whose relations with other European States have so far left much to be desired in respect of mutual confidence. It may be stated without any hesitation that the unsatisfactory state of these relations is a most disturbing factor in international affairs in general and European affairs in particular. For this very reason, I dwelt in much detail at the May session of the Commission of Enquiry for European Union on the importance, for the world crisis, of taking measures through the Commission of Enquiry to guarantee the peaceful existence of two social-political systems in Europe — the system of the Soviet Union and the system of the other European States. Out of this, there arises a new question which is naturally of special interest to me. To what extent do the Commission's decisions offer a satisfactory solution of this special problem ?

I do not want to take up too much of your time, or to digress from the main theme of my statement. I will therefore not deal in detail with the report of the Co-ordination Sub-Committee, but will merely call attention to Section III (3), on preferential treatment, and Section V, on the Pact of Economic Non-Aggression. With the exception of the points relating to preferential treatment, the report consists in a statement of facts or avowals, and an outline for future work.

For over a century, trade agreements have been based upon the principle of the most-favoured-nation clause. No one will deny that this principle has considerably facilitated the conclusion of trade agreements, has introduced tranquillity and stability into international economic relations, and has even contributed to the development of international trade. We are now asked to introduce into international practice a system of preferences which is in direct contradiction to the principle of the most-favoured-nation clause. It is no use telling ourselves that this system is being introduced merely as an exception, for a limited time, and for given cases, with all sorts of guarantees. This is merely the thin end of the

wedge, and it will be difficult to pull the wedge out again. Though the agreements referred to may be concluded for a short time (two years, let us say), provision is made for their prolongation, without guarantees.

No wonder the original proposal for preferential treatment evoked uneasiness, even during the discussions by the organs of the League of Nations, and met with opposition from the representatives of many European States. This opposition, it is true, gradually weakened and capitulated before what appeared to some as inevitable. I am under the impression, however, that the feeling of uneasiness has by no means subsided. Many in this room still fear the consequences which the new system might entail. One of its supporters tried in the Co-ordination Sub-Committee to calm our fears by assuring us that it is only a small dog let out well muzzled and on a lead and that it cannot bite. By this very admission, the speaker shows that something with a bite has been introduced into the arena of international economics. This is scarcely soothing, for who can be sure that the dog will not break loose from its lead one day and shake off its muzzle ?

Such, in my opinion, is the general significance of the proposal for preferential treatment. It has, however, a special significance for the State which I represent. The agreements prepared contain preferential clauses — in a direct or disguised form — with regard to wheat and certain other cereals. Now, the chief exporters of these cereals in Europe are the Soviet Union and the Danubian countries. The agreements, however, have been drawn up so as to make this preferential treatment apply only to the Danubian countries and never, in any circumstances, to the Soviet Union. Advantages are granted to some exporting countries at the expense of others — in this instance, at the expense of the Soviet Union. In other words, special treatment has been introduced to obstruct the sale of Soviet grain and to place all the other European exporting countries in a better position for the sale of their grain.

In the circumstances, are we not entitled to speak of discrimination against the Soviet Union ? Are we not entitled to assert that this whole system is directed exclusively against the interests of the Soviet Union ? The German-Roumanian and German-Hungarian treaties provide for the extension of preferential treatment to Bulgaria and Yugoslavia, in addition to Hungary and Roumania. Suppose, for the sake of argument, that Germany wanted to extend the same treatment to the Soviet Union. Would these treaties still hold good ? Obviously not, despite the fact that the powerful overseas competitors of European grain-exporters would not share in this treatment. Does not this corroborate the assertion that the only European State against which preferential treatment is directed is the Soviet Union ? Either the dog is not muzzled or, muzzle and all, it can bite the Soviet Union and is very much inclined to do so.

It was explained to me in the Co-ordination Sub-Committee that this state of affairs has arisen out of the Danubian countries' appeal to the League of Nations for help, and that the Soviet Union made no such appeal and deserves no such help, since it has no crisis to complain of and is satisfied with its fate. If we are going into the history of the question, I would venture to go back a little further and would remind you that this appeal for help was preceded by a series of conferences in Warsaw, Bucharest and elsewhere. All the grain exporting countries of Europe, with the exception of the Soviet Union, were invited to these conferences, which even included States bordering on the Soviet Union, such as Latvia, Estonia and Finland, which do not export grain at all. The centre of attention at these conferences was the ever-growing agricultural crisis, which was showing itself in falling prices and shrinking markets. The Soviet Union, one of the principal European grain exporters, suffered from this crisis, if anything, more than other countries. Despite this, it was completely ignored.

Is it the Soviet Union's fault that these conferences were inspired by political rather than by economic motives and were imbued with an anti-Soviet spirit ? One of the initiators of the conferences confessed in a public statement that they were mainly directed against the Soviet Union. Their anti-Soviet character was maintained, both in the appeal for help to the League and in the decision to give this help. Of course, there can be no objection to assisting any State at the expense of the benefactors themselves. In this instance, however, the Soviet Union bore the expense: It is true that the Soviet Union has appealed for help neither to the League of Nations nor to anyone else. Nor could it be expected to do so. But this does not deprive it of the right to protest when other States are assisted at its expense under the flag of European solidarity.

We have never denied that the agrarian crisis reacted heavily on the economic situation in the Soviet Union. I asserted this myself at the May session of the Commission of Enquiry. The fall in the price of the Soviet Union's grain exports is bound to lead to a reduction of its imports. If a further fall in the price of Soviet grain is caused by artificial measures, and greater difficulties are placed in the way of its sale, not the Soviet Union alone, but the countries from which it imports will also suffer. Is this a way of alleviating the European crisis ? Is this European solidarity ? Is this that peaceful co-operation proclaimed at the

Economic Conference in 1927 ? Of course, it is not. Such measures can do nothing to alleviate the present crisis ; they cannot improve international relations, or assist in the pacification of Europe.

I now turn to another question — the Pact of Non-aggression. I did not invent the idea of economic aggression. The phenomenon of this aggression is known not only to the Soviet Union. One of the volumes in the series entitled "The Frankfurt Treatises on Questions of Contemporary International Law" is devoted entirely to economic war — I refer to Dr. Franke's "Der Wirtschaftskampf". The methods of economic war now practised are exhaustively enumerated and described in this book. It would appear, then, that there is such a war, and not only in regard to the Soviet Union, with which, by the way, the book is not concerned. Such warfare cannot fail to increase the existing uneasiness, and consequently to aggravate the economic crisis. The worse the crisis the greater may be the tendency to resort to economic warfare, thus forming a vicious circle.

The draft pact which I put before the Commission of Enquiry for European Union aims at putting a stop to, and averting, the application of this war. The chief weapons are boycott and discrimination against individual countries. The pact provides for the mutual obligation to abstain from applying such methods of warfare. This proposal would seem to be a very simple one and, moreover, entirely in the spirit of international and European solidarity, in that spirit of confidence so essential for the alleviation of the crisis. What has been the fate of this proposal ? First, it was handed over by the Commission of Enquiry for European Union to a Sub-Committee, which was asked to recommend further procedure. From this Sub-Committee, it returned, in its primal state, to the Commission of Enquiry for European Union without any recommendations. Thence it was again transferred for study to the Co-ordination Sub-Committee. This Sub-Committee declared that it could only co-ordinate the work of other sub-committees, and since the draft pact had not passed through another sub-committee, it was not competent to deal with it. The proposal was transferred to a drafting committee ; it then came back to the Commission of Enquiry for European Union, with a recommendation to transfer it for study to a new special sub-committee.

Why was it necessary to make a kind of tennis-ball of this Pact, to toss it from one Sub-Committee to another ? If it is of no importance from the point of view of appeasing Europe and alleviating the world crisis, it ought immediately to be rejected. If it is conducive to peace in the economic, and therefore in the political sphere, is it not worth while for the Commission of Enquiry for European Union to devote a few meetings to it, or transfer it at once to a Sub-Committee which would really study it and report on it at this session of the Commission ?

It has been said that the question is extremely complicated, so complicated that, during the four months in which the draft pact has proceeded along its way of sorrows, we have scarcely heard more than two or three remarks or objections. To what does this complication amount ? Some complain that it is not clear whether the most-favoured-nation principle could be preserved, should the pact be accepted. I hope I have cleared up this point ; but, if my explanation was thought inadequate, all doubts could have been settled by the inclusion of a suitable clause in the pact itself. Further, it has been said that discrimination is not the only form of economic aggression. Well, if other forms are known, I would have no objection to mentioning them in the Pact.

M. François-Poncet said that dumping is also a form of economic aggression ; but at the same time he admitted that not everything that is called dumping is really dumping. That is quite true. Accusations of dumping are frequently without foundation, and not only accusations directed against the Soviet Union. Since there is no precise, commonly-accepted definition of dumping, any State, which is desirous of adopting repressive measures against another State, may accuse it of dumping. This sort of arbitrary accusation is certainly a form of economic war. As for real dumping, I would remind you that at the May session I proposed a definition of it and suggested a convention providing for abstention from dumping. Neither the Commission as a whole, nor any individual delegate responded to my proposal, however. Apparently dumping, as such, does not arouse much alarm and is not considered as a cause of the crisis.

Objections were also made to the pact on the ground that it would be difficult to define the aggressor. I explained, however, in the Co-ordination Sub-Committee that, inasmuch as the pact is concerned with the boycott of a State or discrimination against it, such measures could only be systematically applied through the administration or legal acts of a Government or its organs. The State which was the first to issue such acts would, of course, be the aggressor. Reprisals must be considered as a legitimate defence and not as aggression. The Pact of Paris for the renunciation of war also, by the way, contains no definition of aggression, but has, nevertheless, been signed by almost all States. How did this come about ? Was it not because it did not pass through a series of committees and sub-committees ? Whatever we may think of the Pact of Paris, nobody can say that peace has suffered from the manner in which it was adopted. I believe peace would gain and not suffer if the Pact for Economic Non-aggression had been accepted as I proposed, without the intervention of any committees or sub-committees, as to the usefulness of which public opinion has long been extremely

sceptical. A Geneva paper — not a Moscow paper — referring to the League of Nations said a few days ago :

“ Transfer to a Committee has become equivalent to adjournment and sometimes to interment.”

I have already said that many States know from experience that economic war exists. I will not conceal the fact, however, that this question is of special importance to my own country, which is subjected more than any other State to economic discrimination and other forms of economic aggression. At the same time, the question is of general importance for the creation of an atmosphere of tranquillity and a feeling of confidence in a lasting peace. Such confidence does not as yet exist. One of the main causes for the lack of confidence in the world in general, and in Europe in particular, is the anomalous attitude which other States adopt towards the Soviet Union. The spectre of war will not vanish from Europe until this abnormality disappears. To take no measures for its removal is equivalent to doing nothing for the creation of those conditions which the economic experts appointed by the Commission of Enquiry for European Union, and the Basle experts, consider essential for the creation of international confidence and the alleviation of the European and the world crisis.

I assumed that, in inviting the Soviet Union to share in its work, the Commission realised this. Unfortunately, after attending two sessions I no longer feel sure of it. On returning to my country, I shall unfortunately have to report the Commission's approval of the preferential system, from which the population of the Soviet Union alone must suffer. I shall also have to report the treatment which my Pact for Economic Non-Aggression received. This scarcely testifies to any great interest on the part of the Commission in the peaceful co-existence of different social-political systems. Some members of the Commission assured me at the last session that there was no hostility to the Soviet Union. I wish I could report to the people who sent me here, not merely such declarations, but deeds and actions backing up those declarations.

I would ask the Commission to remember that I am speaking here, not only as delegate of one of the European States and representative of a population of 150 millions, but also as a representative of one of the two social-political systems at present in existence. I hope the Commission will come to the conclusion that the problem of the relations between the Soviet Union and the rest of the world, especially the countries of Europe, is worthy of serious attention, in the interest of the alleviation of the world crisis and the consolidation of general peace, and is worthy of an approach different from that adopted at the last two sessions.

The existence of two systems undoubtedly complicates politics, economics, and diplomacy, just as the existence of a number of countries and nations is a complicating factor. It would be much simpler if there were only one nation and only one State in the whole world. It would be much simpler if there were only one social-political system in existence. But such things do not depend on us. We must bow to historical facts, whether we like them or not. We must find a solution to our problems, however complicated they may be. The Soviet Government, for its part, is inspired in all its proposals — and will continue to be inspired — by peaceful aspirations alone.

#### 40. Detailed Examination of the Report of the Co-ordination Sub-Committee on Economic Questions.

##### INTRODUCTION.

*Adopted without observations.*

##### CHAPTER I. — ECONOMIC RELATIONS AND INDUSTRIAL ORGANISATION.

*Adopted without observations.*

##### CHAPTER II. — CREDIT PROBLEMS.

*Adopted without observations.*

##### CHAPTER III. — AGRICULTURAL QUESTIONS.

BARON RAMEL (Sweden) [*Translation*]. — I should like first to take this opportunity to pay a tribute to the draftsmen of the admirable reports before us. The reports will, I earnestly hope, prove a useful basis for the work undertaken to overcome the present emergency and to restore and strengthen international confidence.

I will deal next with the question of preference (Chapter III). At our May session, when certain proposals were submitted to us asking for preferential treatment for the grain of the South-East European States, Sweden, with certain other countries, made an explicit reservation to the effect that she could not subscribe to any declaration sanctioning a system of tariff preference. This attitude was prompted by the desire to avoid anything that might detract from the guarantees furnished by the unconditional most-favoured-nation clause. In my Government's view, these guarantees do, in fact, tend to confer on economic relations a stability, the need of which has been shown by recent events. Our attitude was also

prompted by the feeling that every exception granted would lead to new ones and that, once the movement had started, it would be very difficult to arrest.

To allay our misgivings, it has often been said — and in different quarters — that this first step — that is to say, the application of a preferential tariff to grain — was not dangerous and would have no prejudicial effects. To prove our goodwill, we did not oppose the request of certain countries for an examination of their proposals for tariff preference, as an exceptional and temporary measure, for grain.

To-day, however, it is, I think, generally realised that our apprehensions were well-founded, and that we now find ourselves in the situation we were anxious to avoid. Many requests for preference have been made, and the list is certainly not yet closed. I very much doubt whether there is a single country represented on this Commission which could not, with equal reason, ask for preference for one or another of its products.

It was therefore with keen satisfaction that I noted the statement in the report of the Economic Experts that there was no intention of modifying the most-favoured-nation clause, which must remain the essential safeguard of normal commercial relations between States.

To obviate any misunderstanding in future, I must say quite frankly that the Swedish Government firmly believes that the common cause of all countries in Europe and the stability of economic relations are best served by making every attempt to keep intact the principle of non-discrimination and equality of treatment, of which the most-favoured-nation clause is the outward and visible sign.

On these grounds, Sweden is opposed to the extension of the preferential system.

M. BEELAERTS VAN BLOKLAND (Netherlands) [*Translation*]. — I intended to say a few words on the report of the Co-ordination Sub-Committee, dealing, in particular, with the system of tariff preference which conflicts, to a certain extent, with the most-favoured-nation clause. To save time, however, I will merely say that I associate myself with the Swedish delegate's remarks. I will only add that it would appear to be necessary that the sanction of third parties should be solicited through the diplomatic channel.

The CHAIRMAN [*Translation*]. — The statements just made will, of course, be recorded in the Minutes, and the Netherlands Foreign Minister's suggestion might be submitted to the Drafting Committee which will be appointed later.

D<sup>r</sup> MUNCH (Denmark) [*Translation*]. — I associate myself with the Swedish delegate's observations.

M. BRAADLAND (Norway) [*Translation*]. — I concur in the remarks of the Swedish, Netherlands and Danish delegates. The Norwegian Government firmly supports the widest possible application of the most-favoured-nation clause, and therefore could not but entertain some misgivings as regards the question of preferential treatment. Those misgivings are particularly grave when we are asked to consider extending a system of that kind to a whole series of goods. We realise that these suggestions are closely connected with the difficulties with which industry in the countries whose delegations have spoken on the subject is at grips.

I think, however, I can say that we are all in much the same situation. We all have export industries which are passing through a serious crisis; and, if a system of preference is allowed for the export products of certain countries over and above the definite and specific case of grain, we may be sure that demands will be made for the extension of the same system to the products of all countries. That would lead us very far away from the most-favoured-nation clause, which, according to what has been said on all sides in this Commission, must subsist as the basis of European commercial policy.

*Chapter III was adopted.*

#### CHAPTER IV. — UNEMPLOYMENT.

*Adopted without observations.*

#### CHAPTER V. — PACT OF ECONOMIC NON-AGGRESSION. (Annex 11.)

M. FLANDIN (France) [*Translation*]. — I have no objection to the wording of the Co-ordination Sub-Committee's report, recommending that the Commission study the draft pact in greater detail. Nor have I any objection to the Soviet delegation's proposal for the appointment by our Commission of a sub-committee to carry out that study.

True, had we time, I should have certain objections to make to M. Litvinoff's very piquant statement. He has said that it was not he who made the discovery of economic warfare. He is right. That is a very old discovery, and it cannot be argued that the League has waited for his proposal to take up this subject. I need only remind you of the past, of



the history of the various economic conferences held here, to make it clear that, from the outset, one of the chief points in the League's policy was to endeavour to put a stop to economic warfare. In 1930, there was a special Conference, known as the Conference for Concerted Economic Action, which dealt with this problem, and at which I, as French representative, submitted a memorandum of which the only merit was that it represented, so to speak, a summary of the studies made by the League, and contained a fairly complete list of all the various forms of economic warfare so severely condemned by M. Litvinoff.

Ours, however, was a somewhat different frame of mind. We sought, not to make a show, but to reach certain practical conclusions in the form of conventions which would be binding on Governments in regard to certain definite points and would put an end to those forms of economic warfare which inflict hardship on all alike, of which no one has a monopoly, and which we are all anxious to remove from the sphere of international relations. On that point I am glad to see that I agree with M. Litvinoff.

Were I to consider in detail the measures to be taken, I might cite the Convention on Import Prohibitions and Restrictions, and the draft Convention for the abolition of direct and indirect export bounties, and even the draft anti-dumping Convention.

That is the real, solid work, on the basis of which the League can take effective action. I have no particular aversion for general pacts or declarations of principle, except that they sometimes engender illusions which lead to disappointment, especially when they are couched in vague and ambiguous terms.

M. Litvinoff complains that we have been playing tennis with his proposal. It might perhaps have been easier to consider, had it been more precise and more complete; a more thorough examination might not have been needed. I do not propose to go through each clause in detail, but if you will re-read the pact as a whole, you will see that it amounts to this:

“The parties undertake in their mutual relations to forego any discrimination whatever, and to regard as incompatible with the principles of the present Protocol the adoption and application in their respective countries of a special system directed against one or more of the countries signing the present Protocol.”

Not only is there no definition of the aggressor — M. Litvinoff tells us that none is needed — but there is not even a definition of aggression. Looking at the actual wording, we may even infer that any discrimination of any kind whatever is *ipso facto* an aggression. But if we went to the bottom of things — and M. Litvinoff felt the truth of this a moment ago, because he made a reservation concerning the most-favoured-nation clause — it might be upheld that even to grant most-favoured-nation treatment to one country and refuse it to another was a form of discrimination.

Again, we were dealing just now with the question of tariff preference. I know that some of you objected to this policy. M. Litvinoff, speaking before you, objected to them even more strongly. They do, nevertheless, form the conclusion of long discussions in various League committees. Supposing, then, the grant of a preferential tariff were to be regarded as a measure of discrimination and hence as coming under the Pact of Non-Aggression, where should we be landing ourselves unawares? In the first part of our report, we should be recommending preferential tariffs, while in the second part we should be condemning them as a measure of economic aggression.

I might go even further and deal with a subject which M. Litvinoff knows well and to which his Government and he himself sometimes pay some attention, the granting of credits. Would it for instance be regarded as a measure of aggression if we granted a loan for the purpose of enabling certain purchases to be made in certain countries? That would take M. Litvinoff himself fairly far afield. It shows how glad he ought to be of our foresight in recommending a more thorough consideration of his own scheme.

All these subjects, which — let me say it again — we have been discussing for many years past, require much work and careful consideration. They need to be taken up in that frame of mind. This is not a problem to be dealt with for purposes of propaganda or in a spirit of recrimination. I was much struck by M. Litvinoff's harping on past conferences on the European grain problem and his attempt to make out that the steps taken or discussed at them represented a sort of standing conspiracy against the Soviet Union. In the international life of Europe, there is no place for this kind of constant obsession with standing conspiracies, even though, to use M. Litvinoff's own words, one country may represent a different social and political system from that prevailing in the rest of the world. I can assure him that we who represent the other system have no aggressive designs against the system he represents.

M. Litvinoff makes himself out an innocent victim, an easy prey to the machinations of the wicked. Let me reassure him. The wicked sometimes perhaps merely wish that certain bodies which, as we know, are entirely independent of the Soviet Government, would carry on a less intense propaganda against the social and economic system we represent. That, however, is another matter. It would lead me into paths which M. Litvinoff himself has trod, but along which I have no desire to follow him. I wish in conclusion to say only one



thing that, subject to the few humble remarks I have made, we adhere to the ideal of universal non-aggression recommended by M. Litvinoff as the guarantee of fuller international co-operation.

M. LITVINOFF (Union of Soviet Socialist Republics). — I wish that more speakers would deal with my Government's proposal. It is only by discussion and by voicing objections that the subject can be fully and exhaustively examined. Some of the questions M. Flandin has put to-day have already been answered by me, I flatter myself, satisfactorily. I am absolutely sure that at one or two meetings, the Sub-Committee would have settled the question of the pact, and the pact might have been presented to the Governments for signature in case they desired to sign it.

On the question of preference, I was asked in the Co-ordination Sub-Committee whether in fact any preferential treatment would constitute an infringement of the Pact of Non-Aggression. It depends upon the application of the preferential treatment in question. If the German Government were to grant preferential treatment to Hungary or Roumania or any other country — small concessions have already been made — there would be no aggression : but, if Germany or some other country granted privileges to all countries of a definite group or category except one, that would constitute aggression against the country thus isolated.

I also have already replied to the question as to the definition of " aggression " and " the aggressor ". I think in this pact it is much easier to give a definition of aggression than it would be in a political pact. If we were to have a full discussion on the subject, either in this Commission or in some sub-committee, all the uneasiness and doubts created as to the intention of this proposal would be removed, possibly by alterations of or additions to the pact itself. The authors of such an instrument could not, naturally, foresee all the objections and reservations which have since been made by various speakers. It is only by discussion and by careful consideration of the objections brought forward that the authors of the pact can allay the doubts and misgivings which have arisen. But, instead of this procedure being followed, the proposal has simply been passed backwards and forwards like a tennis-ball. Many other proposals from other sources have been introduced in the Commission and have been made the subject of recommendations or resolutions by the various Committees. They have all been given a very different measure of consideration from that accorded to mine. I think M. Flandin will agree that I have some cause for complaint.

I should like to reassure M. Flandin on the question of credits ; this matter does not come within the framework of our pact at all. Let me also say that, naturally, nobody enjoys entertaining the fear or apprehension of being a victim of conspiracies ; but I will mention a special case. A year ago when this campaign — for I must call it that — was initiated, we felt that it might be directed against our States. All exporting countries were invited to join in except ourselves. Moreover, certain of those who participated in this Conference stated publicly in the Press that its object was, in one sense, the economic persecution of the Soviet States.

How can you expect us not to be alarmed by such a campaign ? Did not the Conference in question result in special measures which we term the system of preferential treatment, from which our country will suffer ? Will M. Flandin deny that " special treatment " will affect the exports of the Republic ? It only shows that the consequences of these conferences have been foreseen by us, and the cry of alarm we raised was not a vain one. We were undoubtedly right to be cautious, very cautious indeed.

As regards propaganda, I wish I had the opportunity to demonstrate that there is no country in the world which has been the victim of so much hostile propaganda as the Soviet States. I could give you statistics, of the number of daily, weekly, and monthly periodicals, leaflets, and special books or treatises, which have been brought out year after year, consisting of anti-Soviet propaganda. To speak of propaganda against other countries compared with the propaganda employed against the Soviets is like comparing a fly with an elephant.

M. ZALESKI (Poland) [*Translation*]. — Mr. Litvinoff has mentioned conversations which took place between certain of the agricultural countries in various capitals, in particular, at Warsaw. As my own Government was one of those which initiated these conferences, I should like to offer an explanation.

M. Litvinoff will of course remember that these conferences took place before the Soviet Union had begun to collaborate with the League in economic problems. I recollect very clearly explaining to the representative of the Soviet Union at Warsaw at that time that the conferences were confined to certain Members of the League who were discussing the common attitude they should adopt in the discussions held in the League itself.

*Chapter V was adopted.*

#### CHAPTERS VI AND VII.

*Adopted without observations.*

The CHAIRMAN [*Translation*]. — The Sub-Committee's report has thus become the report of our own Commission, subject to the points mentioned, which will be considered by the Drafting Committee that I propose we should appoint.

Our Commission, as you will remember, is an advisory committee of the League, and we have therefore to report to the Assembly, or, in certain cases, to the Council. The report of the Co-ordination Sub-Committee will consequently have to be transmitted to the Assembly and it would be well, at the same time, to add a note briefly summarising some of the remarks made during the general discussion. There is, for instance, Dr. Schober's suggestion for an enquiry into the question of economic unions and that of Dr Rouchdy Bey for the communication of the report as approved by us to the Governments, so that they may, if they wish, place it before their legislative bodies.

All these suggestions, however, make it necessary for us to report first to the Assembly. It is fundamental to our work that we should affirm that our Commission forms part and parcel of the League.

In accordance with the normal procedure the Assembly will, I feel sure, later transmit to one of the Committees, probably the Sixth, the relevant passages from the general report to the Assembly prepared by the Secretary-General and submitted to it for discussion. I imagine too that the Sixth Committee may refer to the Second Committee certain sections dealing with economic questions which come within its competence.

Accordingly, there are certain decisions we cannot take until the Assembly has reached a conclusion, among them the decision to set up the Committee suggested in our report. That can only be done after the Assembly has intimated its views, because our mandate expires as soon as the Assembly meets. It is for the Assembly to decide to extend our mandate.

We shall therefore probably have to meet again some time towards the end of the Assembly. We have, of course, among us the representatives of certain States which are not Members of the League, and the position may be somewhat awkward for them. I trust, however, that the spirit of conciliation which is evident in everything we do will make it possible to overcome these little difficulties of procedure. There does not seem to be any other procedure to adopt.

At the end of this meeting, therefore, I shall propose that we set up a Drafting Committee to consider the nature and contents of the covering note which will accompany our report to the Assembly.

These, of course, are merely friendly suggestions. I have talked things over with the Secretariat and we agreed that the suggestions I have offered are the best. May I ask if you approve them ?

M. PUSTA (Estonia) [*Translation*]. — I understood the Chairman to say that our mandate expires with the present session. That is a point on which I do not feel quite so sure. The Assembly resolution of 1930 setting up this Commission "invited the Governments . . . acting, with the assistance of the Secretariat, as a Commission of the League, to pursue the enquiry which has already been begun and of which the French memorandum of May 17th, 1930, . . . constitutes the first element". The resolution adds that "the first results of this enquiry should be embodied in the form of definite proposals in a report to the next Assembly".

Neither the meetings held by our Commission nor the replies of the Governments to the French memorandum would appear to indicate that the Commission would be justified in regarding its work as complete. We shall present a first report on the first results achieved, but I see nothing in the Assembly resolution to prevent our continuing our work.

The CHAIRMAN [*Translation*]. — There is probably a slight misunderstanding, due possibly to my failing to make myself quite clear. What I meant was that the Assembly has the right to terminate our proceedings, if it sees fit to do so. Put in this way, my remarks are, I feel sure, unobjectionable, and M. Pusta and I are of the same mind.

*The procedure proposed by the Chairman was approved.*

#### 41. Appointment of a Drafting Committee.

The CHAIRMAN [*Translation*]. — My proposals for the Drafting Committee are as follows : In the first place, I should like to be authorised — I trust you will not consider me lacking in modesty when I make the suggestion — to act as Chairman of the Drafting Committee, merely in order that I may be better able to direct your work later on. I ask this in my personal capacity and not as the representative of my Government.

I should also like to invite M. Bech, the Chairman and Rapporteur of the Co-ordination Sub-Committee, to be a member of the Drafting Committee together with representatives of the following twelve States : Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Italy, Spain, Turkey, Union of Soviet Socialist Republics and Yugoslavia, it being, at the same time, clearly understood that any State specially interested in any point can take steps to be represented in connection with the discussion of it. We have always adopted this liberal and, I think, reasonable attitude in these matters.

*The proposals of the Chairman were adopted.*

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THIRD MEETING (PUBLIC).

*Held on Saturday, September 5th, 1931, at 10.30 a.m.*

*Chairman : M. MOTTA (Switzerland).*

42. **Examination of the Draft Resolutions based on the Report of the Co-ordination Sub-Committee on Economic Questions and of the Draft Covering Letter to the President of the Assembly.**

The CHAIRMAN [*Translation*]. — At our last meeting, you instructed the Drafting Committee to prepare a draft covering letter to the Assembly. Before opening the discussion on the draft letter and the draft resolutions annexed to it, which form the principal part of the document, I should like briefly to explain the character of each.

The Drafting Committee was instructed to extract from the Co-ordination Sub-Committee's report, which, with certain reservations, our Commission has endorsed, the points which would enable the Assembly to ascertain exactly the recommendations we are making and which will be submitted to it by the Chairman of this Commission, M. Briand, if he is prepared to do so.

As regards Resolution V, you will see that we were forced to leave that point blank ; the Drafting Committee was unable to agree on the issue raised by the Soviet Government (Pact of Economic Non-Aggression) and we reached the unanimous conclusion that the question was one of substance which would have to be dealt with by the plenary Commission.

Let me add that it is said explicitly in the covering letter that we are sending to the Assembly also the reports of the various special Committees of the Commission of Enquiry and other relevant documents, among which the Minutes of this Commission occupy the foremost place.

For instance, two days ago, the Foreign Minister of the Netherlands suggested that the diplomatic channel should be used when a country enjoying preferential duties under treaties concluded between itself and other countries was seeking the sanction of third parties enjoying the benefit of the most-favoured-nation clause. Needless to say, that suggestion is recorded in the Minutes and will be submitted to the Assembly in the form in which it was put forward by the Netherlands Foreign Minister.

Again, the Estonian Minister for Foreign Affairs argued the desirability of developing the idea of the community of Europe in schools and through the cinema and other agencies. The Drafting Committee was unable to give special attention to that point, but the Estonian representative's observations are recorded in the Minutes and will therefore be submitted to the Assembly, so that the latter, if it wishes, will be able to deal with all the points we have discussed.

I will now open the discussion on the draft covering letter and then on the annex (document. C.E.U.E.54).

*The draft covering letter was adopted.*

The CHAIRMAN [*Translation*]. — The letter will be signed by the Chairman of the present session of the Commission.

RESOLUTIONS BASED ON THE REPORT OF THE CO-ORDINATION SUB-COMMITTEE ON ECONOMIC QUESTIONS.

I. *Economic Relations and Industrial Organisation.*

*Resolution I was adopted.*

II. *Credit Problems.*

*Resolution II was adopted.*

III. *Agricultural Problems.*

*Resolution III was adopted.*

IV. *Unemployment.*

*Resolution IV was adopted.*

V. *Pact of Economic Non-Aggression.*

The CHAIRMAN [*Translation*]. — I should like to offer a few brief remarks on this matter.

During the discussion in the Drafting Committee, it became obvious that the question was not so much one of drafting as of substance, and that it would have to come before the plenary Commission. You will remember that the representative of the Soviet Union had urged the creation of a special Committee to study this question.

In the Drafting Committee, it was pointed out that, although we might, in principle, agree to the creation of such a committee, we could not determine its composition and size until the Assembly had had an opportunity of making known its opinion on the general question of a pact of economic non-aggression.

M. Litvinoff perceived that, in that case, he would be unable to ascertain the composition of the special committee until towards the end of the Assembly, when the next (that is to say, the fifth) session of our Commission will take place. Being anxious to know the fate of his proposal, he therefore moved that the question be referred to the Sub-Committee of Economic Experts.

These were the circumstances which determined the Drafting Committee again to submit the question to you. I should like to make a few general and purely objective remarks on this subject.

In the first place, it must be noted — this point is absolutely plain and there can, I think, be no possible difference of opinion regarding it — that the Pact of Economic Non-Aggression as submitted raises, both in the spirit and in the letter, a problem which is not merely European, but a world problem by its nature and in its reactions alike. The draft itself says that the Protocol shall be open for signature by all States of the world which are prepared to accede thereto.

That being so, the question very naturally arises whether this Commission would not be exceeding its competence and its functions if it dealt with a problem of this character before the Assembly had had an opportunity of expressing its opinion. In this Commission we have, I think, always been anxious to affirm our dependence on the League. We have always asserted that we are an advisory Committee of the League and that, as such, we are bound to report to the Assembly and, in certain cases, to the Council. If we embark now on a problem like this, before the Assembly has discussed it in its original form and without any preconceived ideas whatever, we shall be encroaching upon the competence of the Assembly and exceeding the role which it allotted to us and which we accepted.

In my view, then, it is perfectly clear that the Assembly must consider the matter first.

I would like to make another remark on M. Litvinoff's proposal. He has dropped his suggestion for a special committee and has asked that the question be referred instead to the Sub-Committee of Economic Experts, which must not, of course, be confused with the Economic Committee of the League. On that proposal I have a few practical considerations to offer.

In the first place, it is not certain that the number of experts is sufficient. There are clearly several countries which attach very considerable importance to this question and would like to make their views known at the outset. Secondly, some of the experts on the Sub-Committee may very possibly not be those best suited to the task. Thirdly, there is nothing to show that the members of the Sub-Committee would in fact be prepared to engage upon this work.

Personally, therefore, I have come to the conclusion — I would ask M. Litvinoff, in particular, to follow my arguments, and I must apologise for not having been able to state my views in the Drafting Committee, as they only took shape after reflection and after hearing the different opinions expressed in that Committee — that it would be expedient to consider whether, in view of the nature, the range, the importance and the repercussions of this plan, it might not be wiser and indeed more correct towards the League to ask the Economic Committee to undertake this preliminary study.

To this solution there is, of course, one objection which is plain at once — namely, that the country which submitted the proposal is not represented on the Economic Committee, but our Commission would naturally ask the Assembly to recommend the Council — to which the Economic Committee is subordinate — to appoint to the Economic Committee for the consideration of this question, and, needless to say, for this question alone, a representative of the Soviet Government. In this way, we should, I believe, meet the wishes of the State which propounded this scheme, while we should be conforming to those broad, necessary and, in my view, unescapable rules which we are bound to observe.

I suggest therefore that, as regards Point V, we should make some such proposal as I have suggested — namely, that we tell the Assembly that the Commission is of opinion that this question should be referred for study to the League Economic Committee and suggest that the Council add to the latter a representative of the State putting forward the proposal.

We shall presently have an opportunity to hear M. Litvinoff on this point. I hope reflection and the subsequent trend of this discussion will show him that the proposal I have put forward as Chairman is in harmony with the good order of our proceedings.

M. LITVINOFF (Union of Soviet Socialist Republics). — I will try to explain how this question has arisen again after it had apparently been settled. As you are aware, I submitted a draft Protocol of a Pact of Economic Non-Aggression. It would have been possible to deal with it during the present session and, as this was not done, I naturally assumed that it would be referred for further study either to one of the Sub-Committees of the Commission of Enquiry or to a special sub-committee. I was informed yesterday in the Drafting Committee, however, that the Commission of Enquiry has no mandate to create new sub-committees, but must await the Assembly's instructions. I am not an expert on the constitutional law of the League of Nations, and I find it difficult to understand why the Commission of Enquiry was able at

its May session to appoint a series of Sub-Committees, but is not now entitled to do so. It has been said that the Commission of Enquiry will come to an end when it has submitted its report, and must obtain a new lease of life from the Assembly. I should have thought that in renewing the Commission's existence the Assembly would automatically renew the existence of any organs created by it ; but on such a point I bow to the superior judgment of those who are more familiar than I am with the laws of the League.

I do not know when the Commission of Enquiry will meet again ; but if it does not meet until the end of the Assembly it will be difficult for the Soviet delegation to wait here or to return in a few weeks' time. Before I leave, I should naturally like to know to what Committee the fate of the pact is to be entrusted and who are the members of that Committee.

In the circumstances, I can only suggest that the Commission of Enquiry should refer the pact to one of its Sub-Committees — the Sub-Committee of Economic Experts, for example. I understand that that Sub-Committee does not require the sanction of the Assembly. Doubts were raised in the Drafting Committee as to the competence of the Sub-Committee of Economic Experts to examine the pact, inasmuch as the Sub-Committee consists, not of representatives of Governments, but of individuals appointed as experts. I think these doubts are groundless. After all, it is not the experts who will decide the fate of the pact, but the Governments represented on the Commission of Enquiry. All the experts are asked to do is to form conclusions as to the extent to which the pact is compatible with the principle of the most-favoured-nation clause, preferential treatment, and so on.

The Chairman brought forward the new argument that the pact concerned not only European countries but the whole world. That argument could be applied to most of the questions studied in the Commission of Enquiry. The Commission's task is to study an economic crisis which is not limited to Europe alone, but is world wide. Take, for instance, preferential treatment in the form in which we have accepted it. It is of much more concern to non-European than to European States, because there is discrimination against the former. But no one proposed that we should transfer this question to the Assembly, at which non-European States are represented. The report of the Sub-Committee of Economic Experts suggests that regional agreements should be concluded. Why cannot the European States conclude a regional pact and then invite the non-European States to accept it ?

In any case, the Soviet Government has submitted its proposal to the Commission of Enquiry for European Union. If the Commission does not feel competent or does not wish to deal with the question, it ought to say so. We shall then withdraw the proposal, and consider it as having been rejected. It is no use telling us to submit it to other international bodies ; I am not sure that my Government would not rather withdraw its proposal.

I suggest that we should either appoint a special sub-committee to study the pact or, if that is constitutionally impossible, refer it to the Sub-Committee of Economic Experts. There is no alternative.

Dr. CURTIUS (Germany) [*Translation*]. — I should like to try and conciliate the different views put forward. M. Litvinoff has made two proposals ; one that his plan should be referred to the Sub-Committee of Economic Experts and the other that a special committee should be set up to study it.

I myself have certain objections to the first proposal. The Sub-Committee of Economic Experts, I believe, considers that its work has been completed. Some of its members have told me that they do not expect to have a further meeting, and even that they might not be willing to take part in our subsequent work, supposing the Commission decided to take up such work. It hardly seems possible, therefore, to consider a fresh meeting of the Sub-Committee of Economic Experts. As against that, I support the proposal to send the question to a special committee. I quite understand M. Litvinoff's objections to the reference of his draft to the League Economic Committee. I appreciate the objections of principle he has advanced, and I would point out that there is another difficulty due to the fact that the Economic Committee has been instructed by the League and by the Council to carry out certain tasks which may prevent the prompt examination by it of M. Litvinoff's proposal.

Again, it must be borne in mind that had we last May discussed the Soviet scheme in the way we have examined it at the present session, though we should certainly not have reached a final decision, we should very probably have referred it to one of our Sub-Committees. I fail to see, therefore, why we should not adopt some such procedure now.

I realise the Chairman's objections. He says that our Commission is not competent to set up a sub-committee of the kind suggested. On that point, I agree with M. Litvinoff's observations with reference to the question of competence. He said that most of these questions were very wide in range and that they were world questions ; he reminded us that certain countries were not represented on the League and that consequently the Commission of Enquiry was perfectly entitled to consider those issues. Personally, then, I see no difficulty to our Commission — or any sub-committee appointed by us — dealing with problems of world interest that concern certain States which are not represented but might be asked to take part in the discussion of these matters. I propose, accordingly, that we set



up a special committee, but not one which will consist solely of economists, like the Sub-Committee of Economic Experts or the League Economic Committee. It must be remembered that the problem has two aspects, a political and an economic one. For this reason, I should like the Committee to be composed of Government representatives and economic experts. There would be nothing novel in that; other committees have a similar membership.

I am in some doubt concerning the date at which the special committee should meet. I am not sure whether it could meet at once, because our other Sub-Committees have finished their work, and certain difficulties might arise in the Assembly if we proposed that the special committee should meet immediately. At the same time, I imagine that the Assembly also would be prepared to contemplate the creation of a special committee to study the Soviet proposal. If therefore we contemplate the appointment of such a committee, we might decide to appoint it subject to the Assembly's approval. In this way, a decision could be taken immediately, and M. Litvinoff would know the fate of his proposal. At the same time, we should have fully safeguarded the question of competence. I must, however, point out to M. Litvinoff that the Assembly would legally retain the right to cancel the Commission's decision to set up a special committee.

In conclusion, I think we should complete Resolution V and do so to-day by deciding, subject to the Assembly's approval, to set up a special committee of Government representatives and expert economists.

Viscount CECIL OF CHELWOOD (Great Britain). — We are all agreed that the Soviet proposal is of very great importance and deserves most careful consideration by this Commission and, indeed, by the League. What we are now discussing is not the principle of that proposal, but the best practical method by which to reach a rapid and authoritative decision. I say quite frankly that if some convention can be devised which, in the opinion of those qualified to judge, would put an end to or even diminish the chances of what are called "tariff wars", I should greatly rejoice.

I think the question of obtaining a rapid and authoritative decision is rather a technical one. It is suggested that the Soviet proposal be sent either to the Sub-Committee of Economic Experts or to a special committee. So far as the first of these alternatives is concerned, the German delegate's observations have shown that it is not practicable. The members of that Sub-Committee are extremely busy men, who have now returned to their own countries and taken up their own business. Such a procedure would mean delay and postponement.

The other proposal is that we should appoint yet another special committee. I confess I dislike the multiplication of committees, if it can be avoided. It means complicating the procedure of the League and leads to delay. Moreover, there is a tendency to think that we have done something really serious when we have appointed a special committee, whereas we have taken only the first step. If we ask the Assembly to appoint a special committee, it would be a special sub-committee of this Commission, to which it would have to report, and obviously it could not meet for some weeks, by which time we should have separated. Before any preliminary decision could be taken, a fresh meeting of this Commission would have to be held, and any decision would have to go to the Council of the League before action could be taken. Thus, it would mean a double reference, first to this Commission and then to the Council.

By referring the matter to the Economic Committee, which reports directly to the Council, part of the procedure would be short-circuited. I should have thought it would be preferable, in order to hasten a decision, to refer this question to the Economic Committee. The Council or the Assembly might be asked to request the Economic Committee to give it immediate consideration. It has been said that the Soviet Government is not in agreement with the proposal to refer the matter to the Economic Committee because it is a Committee of the League. This Commission, however, is also a Committee of the League. It has, moreover, been said that this proposal would not be satisfactory, because the Soviet Union is not represented on the Economic Committee. The Soviet Government, however, would be asked to send a representative and take part in the discussions and decisions.

Dr. Curtius has outlined the kind of special committee which he desires. He wants to have an elaborate and numerous body, consisting partly of experts and partly of representatives of the Governments concerned. But all the Governments are concerned in this matter; and, moreover, the Economic Committee is composed both of experts and also of those who are, in effect, representatives of the Governments interested. Indeed, the Economic Committee already contains not only representatives of the Members of the League but others chosen from non-member States. Therefore, it is by far the best body to deal with a matter of this kind, especially as it has already considered a number of similar questions. It is also very important that there should be represented on the Committee non-European as well as European countries.

Dr. Curtius really means that he wants to duplicate the Economic Committee, to obtain the services of another committee substantially similar. He recognises that it must include



representatives of countries outside Europe, which is obvious. This proposed Pact of Non-Aggression will require from all the countries concerned definite governmental action or abstention from action, if we are to have an economic truce of this kind ; and, if that truce were not accepted by a great country outside Europe, its value would be enormously diminished. If the idea is to be practicable at all, the wholehearted co-operation of such countries is necessary ; and, if they are not consulted, I do not doubt that they will look upon the matter less favourably than they would have done had they been consulted from the start. For these reasons, it would be far better to refer the proposal to the Economic Committee.

As an attendant for many years at meetings of the League, I venture to add one consideration, which perhaps will not appeal to M. Litvinoff, that it seems to me a great pity not to make use of the existing machinery of the League where that is possible and useful. We want to build up the prestige and authority of the League so that everybody will recognise that it is the great international authority. To be perpetually going outside its ordinary procedure and constituting other committees takes away from the authority of those committees, and is bad procedure.

M. Litvinoff concluded his speech with a kind of warning that if his views were not accepted his Government might withdraw its proposal. He will forgive me if I say that discussion by ultimata does not lead to agreement. If we are always going to say that unless our proposal is adopted in exactly the form in which we put it forward we shall withdraw it, I do not think we shall attain international co-operation. It is quite evident that, in reply to an observation of that kind, other observations might be made which would exacerbate feelings instead of soothing them. I beg M. Litvinoff not to continue along that line of discussion, and to consider whether the proposals I have made do not meet the great object we have in common, of reaching a rapid and authoritative decision on what we all recognise to be a very important and valuable proposal.

M. CIANCARELLI (Italy) [*Translation*]. — I have listened very attentively to previous speakers, particularly the Chairman ; but I am quite unable to see that there is any real difficulty in the way of our accepting M. Litvinoff's proposal.

It has been said more than once that this question is a very serious and important one, that it needs to be considered from every angle and that it ought therefore to be referred to an organ of the League which has special competence in this sphere, and which will study it thoroughly and report to the Commission of Enquiry. The British representative has said that, in order to expedite the consideration of the matter, it should be referred, not to a special committee, but to the League Economic Committee, which is better fitted for rapid work. To my mind, rapidity is not the only thing we have to bear in mind. Lord Cecil suggested also that the Economic Committee should report directly to the League and that time would thus be saved.

The question before us is, in my view, a very simple one ; it is merely one of procedure. What is the procedure invariably followed so far by our Commission in all issues examined by it ? Our practice has been to appoint committees to examine the various questions. Why adopt another course now ?

Again, as someone has said, not all the questions we have considered are of exclusively European interest. The question of preferential tariffs on grain, for instance, to which M. Litvinoff referred, is not, so to speak, of special concern to Europe, with the exception of the Soviet Union ; it concerns in particular the non-European States ; yet it was submitted to a Committee set up by the Commission of Enquiry. I see nothing to prevent us from following the same procedure in the case of the Pact of Economic Non-Aggression. In these matters, the general rule is almost invariably determined by practice.

I think, therefore, we might accept either of the methods of procedure proposed by M. Litvinoff. He says :

“ If you think you can refer the pact to a committee of economic experts, do so ; if you think it better to appoint a special committee, do so ; it makes no difference to me. But why not treat my proposal in exactly the same way as other proposals that have come before this Commission ? ”

For these reasons, I support the request made by the representative of the Soviet Union.

There is one other point to which I wish to refer. During this discussion, it has been said that the Commission of Enquiry will have to finish its work at one time or another, that its continuance depends on the will of the Assembly and that the future cannot be predicted for the moment. It is true, on the other hand, that others have expressed the desire that the Committee should continue its work. That being so, we can, I am sure, agree without difficulty ; there is no need for pessimism or exaggeration in any direction.

I remember being told that the members of certain religious sects never meet without saying to one another : “ *Memento mori* ”. I do not think that to have that idea always in mind is the best way of doing anything practical.

TEVFIK ROUCHDY Bey (Turkey) [*Translation*]. — My delegation considers that it is not only desirable but the duty of this Commission to proceed immediately to the examination of the Soviet proposal. We are, I think, all agreed on the importance of that proposal. It should therefore be referred either to the Sub-Committee of Economic Experts or to a special committee appointed for the purpose, but in the latter case the special committee should be set up at once.

M. ZAUNIUS (Lithuania) [*Translation*]. — The question before us is, if I may say so, a constitutional one — namely, whether or no we should study the Soviet representative's proposal, and, if so, how.

The position is, I must confess, somewhat embarrassing. The proposal bears, we all agree, on a very important subject; but we are almost at the end of our work and we have not yet found the means for an exhaustive study of the pact. We are still merely discussing whether or no it should be referred to a committee directly associated with the League.

The Soviet Government hesitates to assent to that course. We Members of the League sometimes, of course, have difficulty in appreciating the arguments of countries which are not Members. That is natural. If the countries in question shared our way of thinking, they would not remain aloof from the League. This fact, therefore, must be taken into account.

That being so, you will understand why I hesitate to try and bring moral pressure to bear on the representative of the Soviet Union or try in any other way to persuade him to drop the arguments he has advanced against reference to the Economic Committee. It would be unpardonable to force on a member of our Commission the embarrassment of having to choose between reference to a League committee and refusal to examine his proposal.

The German representative's suggestion offers us a happy way out. Lord Cecil is no doubt right in saying that the appointment of a committee does not in any way mean progress in the discussion; but I am afraid that refusal to set up a committee or failure to find suitable means for investigating a question may be a step in the reverse direction.

For these reasons, we should accept Dr. Curtius' proposal, which I beg to second. If that is not accepted, I shall move that we discuss the Soviet scheme here, in this Commission. There would be nothing new in that procedure; other matters, even of a specific character, have already been considered in plenary session, without having been referred to a committee or sub-committee.

I very much hope, however, that this last contingency will not arise, but that the Commission will agree to the German representative's motion, which I support.

Mr. LESTER (Irish Free State). — I find it difficult to sympathise with those of M. Litvinoff's arguments which are intended to disguise the fact that this is a League Committee and that he is participating in the work of the League.

We all of course sympathise with M. Litvinoff's idea, but it is also generally agreed that a complete and profound study of this question is necessary. The definition of the terms used in such a pact and of its subsequent scope are of primary importance, as failure in that respect might well lead to a series of disputes instead of helping to ameliorate the economic relationships of the various States.

As regards the suggestion to refer the pact to the Economic Committee, I should like to say that the latter has of course already merited the gratitude of every Member of the League, and we all know that its members are exceptionally gifted and trained for the study of the question. It seems to me, however, that that Committee has already enough work to keep it in session as long as the Disarmament Conference. In these circumstances, I feel that the German proposal to appoint a special committee is more suitable and more acceptable. It has been suggested that, if an organ other than the Economic Committee is used there will be a delay, but this would scarcely affect the putting into operation of the proposed pact. The Council will meet in January and the special committee might have completed its work by then. Before the pact could be open for signature, it would probably be necessary to refer it to the Assembly.

Another point which has been discussed is the representation of non-European States. While I view with the greatest sympathy the proposal to consult non-European interests, I might point out that preferential treatment for European wheat and regional economic agreements in Europe are also matters for non-European countries to consider, but there has been no suggestion that we should suspend our work or refer it to another organ. The question of discrimination with which the pact deals is unfortunately primarily European, but, if it were so desired, non-European States could share in the work of the proposed special committee as well as in that of the Economic Committee.

In conclusion, the Irish Free State delegation agrees with the Turkish Foreign Minister that the pact should be studied as soon as possible. If the appointment of a special committee

is not acceptable to the Commission of Enquiry, my delegation would gladly accept the services of the Economic Committee.

M. LITVINOFF (Union of Soviet Socialist Republics). — Some of Viscount Cecil's remarks are not very convincing. One of his arguments against transferring the pact to another committee is that the Sub-Committee of Economic Experts consists of busy people who cannot be expected to come to Geneva again to deal with this question.

Viscount CECIL OF CHELWOOD (Great Britain). — I did not say that. I said there would be a delay.

M. LITVINOFF (Union of Soviet Socialist Republics). — The argument put forward was that the members of that Committee would be too busy to come when required, which amounts to the same thing. Viscount Cecil and other delegates say that the pact is of primary importance and consider its adoption very desirable; yet it is regarded as a matter with which the experts are only to occupy themselves when they are not too busy. Any matters are apparently more important than a Pact of Non-Aggression. I cannot agree with that attitude. If we want to remove distrust and to remedy the crisis, we must remove its causes as soon as possible. I know the experts are busy men, but they have not hitherto refused to give up their ordinary business to come to Geneva. Why should we suppose that they will take an exceptional attitude in the present case? Their Chairman has not shown any desire to avoid this task.

I never said that I objected to the Economic Committee on account of its being a League of Nations organ, although this argument has been ascribed to us by other delegates. I said nothing to lead the Commission to believe that I want to disguise the League of Nations character of the Commission of Enquiry for European Union. The Soviet delegation came here to take part in the work of a commission on which European States are represented. We also came to the Preparatory Commission for the Disarmament Conference and to other League Conferences and regarded ourselves only as members of those bodies, and their relations to the League of Nations is no concern of ours.

Viscount Cecil tried to convince me that to transfer the study of the pact to the Economic Committee would be a short cut, because instead of reporting to this Commission the Economic Committee would report directly to the Council. My country is not a member of the Council of the League of Nations; consequently, the Economic Committee would report to a body on which it is not represented.

I cannot pass over another of Viscount Cecil's remarks. He told me that I presented an ultimatum. I assure him that presenting ultimata does not come within the practice of the Soviet Government. It has never presented ultimata, but it has *received* ultimata. Viscount Cecil knows that as well as I do. If we are attacked, we say: "Stop, or we shall retaliate". In this case, I cannot see how my warning could be considered as an ultimatum. The Commission has not shown such love for my proposal that it would be frightened at the prospect of its withdrawal. I think it rather invited its withdrawal, if anything.

M. FLANDIN (France) [*Translation*]. — There are really three questions before us: A question of procedure, a question of substance and a question of form.

As to procedure, it is a matter of indifference to me to which committee this proposal is referred, whether to the Sub-Committee of Economic Experts, the Economic Committee, a special committee or a new organisation appointed *ad hoc*. Logically, it should have been referred to the Conference with a view to Concerted Economic Action, for there could be no better concerted economic action than the discussion of a pact of non-aggression. That, however, is the only procedure which has not been proposed.

The proposal to refer the question — which is almost exclusively the concern of Governments — to a committee of experts on which those Governments are not represented is a possible solution, but I do not think it is a very logical one.

I see no objection to appointing a special committee, for, as I say, the actual procedure is of little importance. It is the question of substance and form with which we are concerned.

As regards the question of substance, I said yesterday that I fully accepted the principles which have been developed in connection with the Pact of Economic Non-Aggression. I said that no one would welcome the cessation of economic war in the world more than we should. It remains to decide whether the form in which the Pact of Non-Aggression has been drawn up would lead to that result. I have already said that, in view of its terms, I do not believe it would.

I realise that the proposal to condemn any country taking a line on some particular issue which involves decisions running counter to the interests of another country might well prove a subtle weapon in the hands of certain countries having a particular economic system of their own. In this connection, I desire to make the following declaration. My delegation reserve the right, when the Pact of Economic Non-Aggression comes to be discussed by whatever

Committee is selected for the purpose, to put forward counter-proposals and amendments. We shall not countenance any manœuvre to enable a special economic system to shelter behind formulæ, such as a monopoly of foreign trade, as a means of enabling it to take steps which would have the same effects as the administrative action which the pact proposes to prohibit. We shall not allow any such country, on the pretext that it is adhering to the terms of the pact (the terms of which it has itself ingeniously prepared), to pose as an innocent victim of the public opinion of the world because regular administrative measures have been taken by other countries which do not possess the same economic system or the same monopoly of foreign trade.

We have lost a good deal of time in discussing procedure. Whatever procedure the Committee adopts, my delegation will be satisfied. But, when once the procedure is settled, we reserve our position as to the substance and form of the problem.

The CHAIRMAN [*Translation*]. — I declare the discussion on this question closed, and will now summarise the position, a difficult and delicate task.

In the first place, the length of our discussion shows the importance of the question of procedure. Personally I do not think the time has been wasted.

We have here a question of form as well as a question of principle. The question of form is very simple : whether we shall refer the matter to the Economic Committee or to a special committee. It is intelligible that there should be some hesitation between the two methods. Viscount Cecil thinks the pact should be referred to the Economic Committee. Dr. Curtius considers that it would be better to constitute a special committee. I am not sure whether M. Litvinoff would agree to the creation of a special committee, or whether he insists on the proposal he made in the Drafting Committee — namely, to refer the question to the Sub-Committee of Economic Experts.

It is the question of principle, however, which is of the greatest importance, and that question is as follows : We are on the eve of the Assembly of the League of Nations, to which we have to submit a report. The Assembly has, in theory, the right to declare this Commission dissolved, on the ground that it is not in conformity with the interests of the League of Nations. I do not think it will do so, in view of the harmony which exists and will continue to exist between this Commission and the League, but, in the circumstances, can we decide to set up a special committee before we have ascertained the views of the Assembly ?

We are considering a world problem. There is no question about that. We have before us other questions which may have world aspects, but not of so pronounced a character. The Pact of Economic Non-Aggression might be compared with the Pact of Paris ; they are on the same plane. No doubt the Assembly is competent to take a decision on this matter and can authorise our Commission to constitute a special committee ; but I think that, before setting up such a committee, we should await the Assembly's opinion. It would be difficult to tell the Assembly that we have come to a decision on a question which is outside our competence without having had regard to the Assembly's prerogatives. The latter would be entitled to declare that our procedure was incorrect. Can we treat the Assembly, which is the most august body in the world, so lightly ? That is why the question of principle dominates the whole problem. I thank Dr. Curtius for having realised this. He told us that there could be no doubt as to the question of competence, and that the Assembly's competence must be respected. The Commission can therefore adopt either solution, on the understanding that the Assembly's rights are fully reserved.

M. HYMANS (Belgium) [*Translation*]. — As we are submitting a report to the Assembly, the latter will be able to take a decision in regard to our conclusions.

The CHAIRMAN [*Translation*]. — That is so. The committee in question would be constituted after the Assembly had discussed the question. If this Commission decides to appoint a special committee, it would be created at the next session of the Commission of Enquiry for European Union, on condition that we have the Assembly's authorisation to do so.

In any case, I must call attention to the Assembly's rights. It is easy to understand that some States which are not Members of the League of Nations should not have the same anxiety as the States Members ; but I should fail in my duty if I did not stress this aspect of the problem.

M. MUNCH (Denmark): — There are a certain number of delegates here who attach no great importance to the question of procedure pure and simple ; but the substance of the matter calls for thorough and rapid study, and I think we all agree that we need the Assembly's approval before proceeding with such study.

If a vote is taken on the point of procedure (*viz.*, whether we should refer the matter to this or that committee, or to this or that already existing organisation), and the result is not unanimous, our decision may give rise to political interpretations which will not be helpful to our future work. I therefore suggest that the Chairman call together the authors of the different proposals and attempt to secure unanimity, and that we should adjourn our decision in the meanwhile.

The CHAIRMAN [*Translation*]. — I have just received the following proposal from Dr. Curtius :

“ The Commission of Enquiry for European Union is of opinion that a special committee composed of . . . should be set up to study the proposed Pact of Economic Non-Aggression as rapidly as possible, after the approval of this proposal by the Assembly.”

Would Dr. Curtius agree to omit any reference to the composition of the special committee, it being understood that the country which proposed the Pact must be represented ? I think that should meet M. Litvinoff's wishes.

Dr. Curtius' proposal has two advantages. First, it brings out clearly the idea that we are proposing a special committee, and, secondly, it recognises the Assembly's competence.

If the Commission could accept that proposal, and abandon the idea of referring the pact to the Economic Committee, I personally should be able to adopt Dr. Curtius' suggestion. Perhaps M. Litvinoff would tell us whether he will accept it.

M. LITVINOFF (Union of Soviet Socialist Republics). — I agree that too much time has been spent on the question of procedure. In the same space of time we could have studied the substance of the pact itself. The discussion has become rather confused, because some speakers have dealt only with procedure, while others (M. Flandin, for instance) have gone into questions of substance. I should be quite ready to answer him on this plane, but I do not want to prolong the discussion.

The Chairman referred to the Pact of Paris. I would remind him that that pact first formed the subject of correspondence between the United States and French Governments. It was then accepted by a small group of countries and afterwards all the countries were asked to join it. I do not say that that is the best method. I only wish to remind you of it.

I desire that this Commission of Enquiry should immediately set up a sub-committee to study the pact and report to the Commission of Enquiry at a session to be held immediately after the Assembly. Presumably, all the representatives of Governments and the experts will be on the spot then and will not have to come again to Geneva. I see no obstacles in the way and think that would be the most practical method of dealing with the question. If that is impossible, I shall not object to the establishment of a special committee. What I do object to is the suggestion that the matter must be postponed to the next session. If a special committee is set up, I will withdraw my proposal to refer the pact to the Sub-Committee of Economic Experts. I have no special predilection for that Sub-Committee ; I only wish a committee to be set up now, so that I may go home knowing that the question is being dealt with and has not been left in the air. I accept Dr. Curtius' proposal to set up a special committee at the present session.

The CHAIRMAN [*Translation*]. — I would point out that Dr. Curtius' proposal is that a special committee should be set up only after the Assembly has approved that procedure. The proposal has the advantage of reconciling two different views — namely, the view of those who were in favour of referring the pact to the Economic Committee and the view of those who were in favour of constituting a special committee. Such special committee could, however, only be constituted at the next session of the Commission, that is to say after the Assembly has had an opportunity of discussing the report which we shall submit to it. There is therefore some difference of opinion between M. Litvinoff and Dr. Curtius. If M. Litvinoff is prepared, in a spirit of conciliation, to enable Members and non-members of the League to take a unanimous decision, I think he should say that he accepts Dr. Curtius' proposal, and, in that case, I myself would suggest acceptance of the proposal.

VISCOUNT CECIL OF CHELWOOD (Great Britain). — I am most anxious that there should be no division on a question of procedure. I still think my proposal was most business-like and practical ; but if we can obtain unanimity by adopting Dr. Curtius' last proposal, I will not stand in the way. My only hope is that, when the committee is appointed, due regard will be had to the fact that the world outside — as well as the European States — is very interested in this question. Subject to that caution, which the Assembly will no doubt consider, I accept Dr. Curtius' proposal.

M. LITVINOFF (Union of Soviet Socialist Republics). — I wish to be clear about the proposal. Am I right in stating it this way : The Commission of Enquiry for European Union decides to set up a special committee for study of the pact, but the committee will be nominated at the next session ?

The CHAIRMAN [*Translation*]. — After approval by the Assembly.

M. LITVINOFF (Union of Soviet Socialist Republics). — That being so, I can only say that this proposal is more acceptable than the other, and leave it to the Commission to decide.

The CHAIRMAN [*Translation*]. — That is practically an acceptance. Dr. Curtius' proposal is as follows :

“ The Commission of Enquiry for European Union is of opinion that a special committee should be set up to study the proposal for a Pact of Economic Non-Aggression as rapidly as possible, after the approval of this proposal by the Assembly.”

M. LITVINOFF (Union of Soviet Socialist Republics). — I think it should be stated that the committee is to be set up at the next session of the Commission of Enquiry.

The CHAIRMAN [*Translation*]. — That is understood from the phrase “ as rapidly as possible ”. The Assembly will give the necessary authorisation.

*The proposal was adopted unanimously.*

*VI. Liaison with the League Advisory Organisations :*

*Resolution VI was adopted.*

*The letter and resolutions to be transmitted to the Assembly were adopted as a whole (Annex 12).*

**43. Close of the Session.**

After the customary expression of thanks, the CHAIRMAN pronounced the fourth session of the Commission of Enquiry for European Union closed.

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ANNEX 1.

Official No. : A.36.1931.VII.  
[C.528.M.222.1931.VII.]  
[C.E.U.E.53.]

GENERAL REPORT SUBMITTED BY THE CO-ORDINATION  
SUB-COMMITTEE ON ECONOMIC QUESTIONS.<sup>1</sup>

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<sup>1</sup> The Sub-Committee was composed as follows :

	<i>President</i> : His Excellency M. Joseph BECH (Luxemburg).
<i>Albania</i> :	His Excellency Dr. Johannes SCHÖBER.
<i>Austria</i> :	M. Fernand J. VAN LANGENHOVE.
<i>Belgium</i> :	M. Dimitri MIKOFF.
<i>Bulgaria</i> :	His Excellency Dr. K. KROFTA.
<i>Czechoslovakia</i> :	His Excellency M. Auguste ZALESKI.
<i>Danzig (Free City of)</i> :	M. William BORBERG.
<i>Denmark</i> :	His Excellency M. Jaan TÔNISSON.
<i>Estonia</i> :	His Excellency Dr. Rudolf HOLSTI.
<i>Finland</i> :	His Excellency M. FRANÇOIS-PONCET.
<i>France</i> :	His Excellency Dr. Julius CURTIUS.
<i>Germany</i> :	Sir Sydney CHAPMAN, K.C.B.
<i>Great Britain</i> :	His Excellency M. Nicolas POLITIS.
<i>Greece</i> :	M. Etienne DE WINCKLER.
<i>Hungary</i> :	Mr. Sean LESTER.
<i>Irish Free State</i>	His Excellency M. Dino GRANDI.
<i>Italy</i> :	His Excellency M. Karlis ULMANIS.
<i>Latvia</i>	M. K. DOBKEVICIUS.
<i>Lithuania</i>	His Excellency M. Joseph BECH.
<i>Luxemburg</i> :	His Excellency M. H. COLLIN.
<i>Netherlands</i> :	M. Rolf ANDVORD.
<i>Norway</i> :	His Excellency M. Auguste ZALESKI.
<i>Poland</i> :	His Excellency Dr. Augusto DE VASCONCELLOS.
<i>Portugal</i> :	His Excellency M. Constantin ANTONIADE.
<i>Roumania</i> :	His Excellency M. Alejandro LERROUX.
<i>Spain</i> :	His Excellency M. Karl Ivan WESTMAN.
<i>Sweden</i> :	M. Walter STUCKI.
<i>Switzerland</i> :	His Excellency Dr. TEVFIK ROUCHDY Bey.
<i>Turkey</i> :	
<i>Union of Soviet Socialist     Republics</i> :	M. Maxime LITVINOFF.
<i>Yugoslavia</i> :	Dr. Iliya CHOUMENKOVITCH.

OBSERVERS :

<i>China</i> :	His Excellency Dr. Woo KAISENG.
<i>Japan</i> :	M. ITO.

## INTRODUCTION.<sup>1</sup>

1. Before submitting to the Commission of Enquiry for European Union our proposals in regard to the reports that have been laid before us, we should like to dispel a certain impression of incoherence that might arise on account of the number of those reports and the variety of the subjects dealt with by the various committees.

In point of fact, anyone who can succeed in grasping the relations between these subjects will find that there is not one of them that is not intimately linked with all the others. Thus the extent and urgency of *credit problems* — whether they affect Government loans or commercial credit — now demonstrate more clearly than ever that the whole foundation of economic life resides in a ready and adequate supply of capital. These problems are directly connected with action in the matter of *public works* or *national equipment*, to which part of the International Labour Office report is devoted. This action, again, if successful, might provide valuable outlets for skilled labour, and thus touches on the problem of the *international provision of employment*.

Finally, the *circulation of capital* is so closely bound up with the circulation of goods that it must hold a foremost place in any scheme aiming either at greater *freedom of international trade* in general or at the *disposal of cereals* in particular.

Similarly, we find that the problem of *labour migrations* and that of the treatment of foreigners form a counterpart, in any conception of a better economic organisation, to the problem of the *reduction of tariff barriers*, on which depend in the case of agriculture the demand for greater facilities for the *trade in stock-breeding products*, and in the case of industry the problem of a rational development of the *different forms of industrial organisation* on international lines.

All these questions, together with others mentioned — for example, in the Unemployment Committee's report on the *co-operation of the factors in production for the exploitation of territories not utilised* — touch, complete one another and overlap, each demanding its own special place in the conception of a *rapprochement* which is the dominant feature of the report of the Sub-Committee of Economic Experts.

The Commission of Enquiry for European Union should therefore examine the various reports as a single whole, without losing sight of the influence of each of these questions on the others.

It is in the hope of assisting the Commission in this direction that we have grouped all the different subjects together in this report, though we have no time to examine them in detail.

2. There is, however, a fundamental idea which in one form or another occupies the foremost place in almost all the reports. We refer to Europe's urgent need of a prompt *restoration of confidence*, meaning by that both the indispensable faith of the capitalist, the merchant, the manufacturer in the stability of the economic system in which they operate and the imperative necessity of being able to count on stable and cordial international relations in the political sphere.

The Sub-Committee of Economic Experts, in particular, views the absence of confidence, if not as the sole cause of the present crisis, at least as the principal factor " which tends to maintain and prolong it ".

" It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs. "

On that condition alone does the Sub-Committee anticipate any large scale revival of trade and financial operations.

The Committee on Credit Problems heavily stresses the same idea.

The Co-ordination Sub-Committee accordingly expresses the earnest hope that the meetings of the Commission of Enquiry for European Union and the League Assembly will afford an opportunity of stimulating and encouraging a policy of genuine international co-operation.

### I. ECONOMIC RELATIONS AND INDUSTRIAL ORGANISATION.

1. The report by the Sub-Committee of Economic Experts is distinguished by one special feature from the numerous reports previously published by the League on similar subjects, and, in particular, from the conclusions of the World Economic Conference of 1927. This feature is the assertion, by a group of men who are daily at grips with the difficulties of economic life, that even when Europe has emerged from the present crisis she cannot hope for a real economic revival unless she is prepared gradually to adapt the traditional conception of separate national economic units and to approximate it — with

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<sup>1</sup> The reports of the various special Committees and the other documents submitted for consideration by the Co-ordination Sub-Committee and the Minutes of the latter are enclosed with this report and are listed in the Appendix to it.

every necessary precaution, and possibly in forms as yet unknown — to the conception of one vast market accessible on equal terms to all or most of the producers of Europe.

“ The ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it. ”

The experts are convinced that a mere return to the traditional pre-war state of affairs would not suffice to achieve the two-fold object which it is our business to pursue: to contribute to the establishment of a lasting peace and to provide the necessary conditions for such a development as Europe is entitled to expect, since for generations she has freely given intellect, man-power and capital to all the other continents and is still, despite her misfortunes, equipped with the most powerful and varied means of production.

It is this consideration that has led our experts to contemplate the possibility for the European countries of *rapprochements* capable of developing into an economic and Customs union of the whole of Europe.

Anxious, however, not to aggravate the present difficulties by importing disquietude into the public mind and uncertainty into commercial relations, they have endeavoured to accompany this idea with a series of guarantees, chief among which are the following:

The groups of countries which these *rapprochements* affect should be such as to ensure that they are in conformity with the general interest and contribute to the general progress of Europe. They should include free movement of individuals, goods and capital and, indeed, all forms of economic activity, so that a fair balance may be established between advantages and sacrifices. The idea of the future economic solidarity of Europe should be subordinated to the principle of the equitable treatment of commerce, thereby ensuring increasingly close and profitable mutual relations with other countries, especially non-European countries. Finally, should they affect the rights conferred by the most-favoured-nation clause, these agreements should not be allowed to come into force until an understanding has been reached with the countries concerned.

2. We have long been accustomed to consider the phenomenon of commerce from an exclusively national standpoint — that is to say, as representing the relations of every kind between a given economic unit and all the other economic units. Now comes the dominant idea of the economic experts suddenly to change our whole outlook and oblige us to take a bird's-eye view of the network of varied economic relations established among a large number of countries. We are a little staggered by the number and variety of the problems raised by the idea of European *rapprochements*.

Moreover, we realise, like the experts, that it would be extremely difficult in the present circumstances to ask countries which are struggling desperately with the crisis to agree in the interests of Europe to any appreciable reduction of their measures of protection. Pending a return to better conditions, however, we think it necessary, while contenting ourselves for the moment with such modest progress as may be possible, to attempt to change this defensive mentality gradually into a constructive mentality.

We would therefore propose that the Commission of Enquiry for European Union instruct the League Economic Committee, with the help of the material to be prepared by the Secretariat for its use, to study the complex of problems raised by the idea of “ economic *rapprochements* ” in order to bring it before us in more concrete and accessible forms.

The report of the Sub-Committee of Economic Experts — of which the Co-ordination Sub-Committee has taken cognisance without expressing itself on points of substance — should also, we think, be communicated to all the Governments represented on the Commission of Enquiry for European Union, with a request for their observations. This, together with the other material, will afford the Economic Committee every opportunity — provided it is given sufficient time — for a conscientious and thorough examination of the question.

We agree on this point with the Sub-Committee of Economic Experts and we recommend at once that, with the Council's approval, the Economic Committee should be encouraged to resume and pursue its consultations concerning the most important branches of production.

Based on the idea of “ economic *rapprochement* ”, these consultations should give all those concerned, without exception, an opportunity of examining together the best methods of ensuring a better organisation of each branch of production and of thus contributing to the work of solidarity pursued by the Commission of Enquiry for European Union.

The economic experts, in transmitting their report, requested their Chairman to draw our attention to the fact that “ it would undoubtedly be advantageous if, as soon as the form and purpose of the plans in contemplation with a view to bringing about this *rapprochement* have sufficiently taken shape, an opportunity may be provided for a full examination of the possible repercussions and effects which such plans might produce on the interest of non-European States ”.

This preoccupation of the experts seems to us entirely justified, and we think that the Economic Committee, composed as it is of highly qualified experts enjoying general confidence and chosen from among the different continents, would be particularly competent to undertake this examination.

## II. CREDIT PROBLEMS.

### 1. STATE LOANS.

The Co-ordination Committee has examined the report transmitted to it by the Committee of Government Experts which, together with a delegation of the League Financial Committee, has examined the problem for which the Council appointed it — namely :

“ To consider what practical steps could be taken to facilitate the issue of Government loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets.”

This Committee on Credit Problems has also had before it the various suggestions made by the French delegation at the session of the Commission of Enquiry for European Union in May 1931 and the results of the enquiries undertaken by the International Labour Office in connection with public works.

With reference to the specific questions submitted to it, the Committee on Credit Problems endorsed without hesitation the proposal of the French Government that the Financial Committee, acting in accordance with the instructions received from the Council of the League, should be prepared to consider such applications from borrowing States as may be made to it for its assistance.

In addition, it indicated the procedure which should, in its opinion, be adopted in this connection. It observed that the Financial Committee, which is the advisory body to the Council in such questions, possesses quite special authority and experience in these matters, and that the creation of a new organism should not be contemplated. It suggests, however, at the same time that, for the purpose of such work as may arise in connection with the issue of international loans in the future, close co-operation with the Bank for International Settlements would be desirable, and that the assistance of Treasury officials would prove useful. In this connection it recalls that the Financial Committee has, in the past, adopted on several occasions a system of creating *ad hoc* delegations consisting of its own members and other persons with special competence in the matters under consideration.

The Commission of Enquiry for European Union may therefore deem it desirable to suggest that the Council should give its approval to the appointment of one or more delegations of this character whenever it may be desirable to have the assistance of Treasury officials.

The various detailed proposals made by the Committee on Credit Problems on other subjects referred to in the document submitted by the French delegation in May 1931 to the Commission of Enquiry for European Union the Council will no doubt desire to refer to the appropriate League organs.

### 2. LONG- AND MEDIUM-TERM CREDITS.

The Sub-Committee of Economic Experts took up an interesting proposal by M. Francqui for the creation of an institution for long- and medium-term credits.

The Co-ordination Sub-Committee proposes that the Commission of Enquiry for European Union should ask the Council of the League to give instructions for the study of M. Francqui's scheme as soon as possible with his assistance.

### 3. SHORT-TERM AGRICULTURAL CREDITS.

The Co-ordination Sub-Committee has received a communication from the International Institute of Agriculture (Annex 6) concerning the creation of an international organisation for short-term agricultural credits. It noted that the Institute proposes to hold a Conference to come to a final decision on this subject.

## III. AGRICULTURAL QUESTIONS.

### 1. REPORT OF THE CEREALS COMMITTEE.

The Co-ordination Sub-Committee reviewed the work done by the committee appointed to study the problem of the export of future harvest surpluses of cereals.

To cope with the special difficulties affecting the grain-growing populations of Central and Eastern Europe, and in response to the appeal made to the Commission of Enquiry for European Union in December 1930, systematic action has been taken in several different directions.

An attempt had been made to organise the international wheat market. The Co-ordination Sub-Committee regrets the failure of the London Conference (May 18th to 23rd, 1931) to secure a broad international agreement, on a world basis, between the European and the oversea wheat-exporting countries ; it expresses the hope that the efforts to conclude an agreement will be continued energetically.

## 2. TREATIES CONTAINING PREFERENTIAL CLAUSES.

Attempts have also been made to establish bilateral convention agreements for Customs preference for purchases of grain from certain Central and Eastern European countries.

The Co-ordination Sub-Committee notes in this connection that the Cereals Committee (in pursuance of the conclusions of the Second Conference for Concerted Economic Action) has put forward certain conditions, precautions and rules for ensuring that these agreements have the character they must retain — that is to say, that they have the character of temporary and limited exceptions to the most-favoured-nation clause, and do not form a new and permanent system which would be capable of further development and might eventually supersede the old one.

The Sub-Committee thinks that the Commission of Enquiry might recommend that these rules be complied with, including those relating to the sanction of third parties and publicity.

The Sub-Committee, having examined the preferential arrangements laid down in the German-Roumanian Commercial Agreement of June 27th, 1931 (Annex 7), and the German-Hungarian Commercial Agreement of July 18th, 1931 (Annex 8), expresses the opinion that these arrangements are in keeping with the principles laid down at the Second International Conference for Concerted Economic Action on November 28th, 1930, and that they fulfil the conditions laid down in the report of the Committee to Study the Problem of the Export of Future Harvest Surpluses of Cereals, subject to the consent of the other countries interested.

The Sub-Committee points out that the action taken in the agricultural sphere has been rounded off by the institution of an international mortgage credit. It has learnt with satisfaction of the progress made by the Organising Committee appointed by the Council. It recommends that the third and last step in the foundation of the Institute be taken without delay.

The Sub-Committee is of opinion that the Cereals Committee could still do useful work by examining the most suitable measures for remedying the situation. At its next session, the Commission of Enquiry might perhaps summon a further meeting of the Cereals Committee.

## 3. REQUEST FOR THE EXTENSION OF PREFERENCE TO AGRICULTURAL PRODUCTS OTHER THAN GRAIN.

The Co-ordination Sub-Committee examined a memorandum by the Greek Government (Annex 9) on the extension of special facilities to agricultural products other than grain. The ideas set forth in the memorandum were supported by a number of delegations which also asked for the extension of the system to other products.

The Sub-Committee considered that this question should continue to be studied by a special committee like the Cereals Committee. The Commission of Enquiry for European Union expects to be informed of any bilateral agreements, similar to those already concluded on the subject of cereals, that may be concluded in the meantime.

## 4. TRADE IN STOCK-BREEDING PRODUCTS (Annex 10).

The Co-ordination Sub-Committee heard a statement by the Chairman of the Economic Committee of the League on the position of the work being done for the improvement of the trade in stock-breeding products and raw materials of animal origin used for industrial purposes. It noted that three draft veterinary conventions prepared by the Economic Committee in consultation with qualified experts have already been communicated to Governments for their observations, with a view to a future international diplomatic conference on the three drafts.

Inasmuch as these drafts are not concerned with the paramount question of the export and import of animals and meat, the Polish and Czechoslovak delegates, supported by other delegates, made proposals for the work in progress for the introduction of a liberal regime, as regards the trade in and transit of stock-breeding products to be expedited, and for the Economic Committee of the League of Nations to be requested to prepare a preliminary draft international convention on the import and export of animals, meat and other products of animal origin.

## IV. UNEMPLOYMENT.

The problems connected with labour, which have become exceptionally acute owing to the severe unemployment crisis, were taken up and examined by the various Committees with special care.

1. The Co-ordination Sub-Committee considers that the Commission of Enquiry should approve the proposals concerning *international placing* and, in particular, those for the summoning of a technical conference, to meet upon the terms and with the agenda suggested.

2. The Sub-Committee firmly believes that the execution of public works of common interest might be very valuable to European co-operation, and therefore proposes that the conclusions as to public works put forward by the Unemployment and Credit Problems

Committees be approved and that the examination of any schemes submitted by Governments to the League of Nations be undertaken by the Committee of Enquiry set up for this purpose by the Communications and Transit Organisation. The latter Committee should be completed by the addition of representatives of the International Labour Office and, if necessary, of the competent organs of the League.

Should the execution of the public works in question require financial support from the League, the conclusions of the Committee of Enquiry would be submitted to the Financial Committee.

The Commission of Enquiry for European Union would be kept informed of the progress of this work.

3. The Sub-Committee has taken note of the suggestions made by the International Institute of Agriculture with a view to the co-operation of the various factors of production for the exploitation of territories not utilised. It agrees with the Unemployment Committee that these suggestions must inevitably, sooner or later, exceed the European horizon, and proposes that the League Council should submit them for examination by its competent organs, in concert with the Unemployment Committee.

#### V. PACT OF ECONOMIC NON-AGGRESSION.

The Co-ordination Sub-Committee discussed the draft Pact of Economic Non-Aggression presented by the delegation of the Union of Soviet Socialist Republics. It recommends to the Commission that the Pact be studied in greater detail.

The delegation of the Union of Soviet Socialist Republics suggested that, if no immediate decision could be reached, this study should be entrusted to a special committee to be appointed by the Commission of Enquiry.

#### VI. LIAISON WITH THE LEAGUE ADVISORY ORGANISATIONS.

The Co-ordination Sub-Committee expresses the opinion that the examination and study which may be referred to the League's permanent advisory bodies, and to which reference is made in this report, should be pursued in liaison with the Commission of Enquiry. The liaison should be established through a member of that special committee of the Commission of Enquiry which has studied the question with which the permanent technical organisation is called upon to deal.

#### VII. CONCLUSIONS.

The wealth and abundance of the material investigated by the Co-ordination Sub-Committee will be clear from the foregoing.

There are, however, in this wealth of material, certain major guiding ideas which the Sub-Committee would, in conclusion, like to emphasise.

The first of these is that the psychological factor dominates the economic crisis affecting most nations to-day, and it is for politicians, above all, to influence men's minds by spreading through the world, by their actions, a general feeling of confidence.

The second idea is that there is no one miraculous prescription capable of restoring economic equilibrium in a few months, nor is there any single strict theory which can be recommended as capable, in itself, of leading to success. It would rather appear to be necessary to discard every preconceived opinion, to be guided by experience, and to seek for remedies wherever there seems to be a chance of finding them.

All the efforts and attempts referred to in this report will be effective if they are permeated by a spirit of co-operation, association and mutual aid.

It should not be forgotten that, by virtue of its scale and its general character, the present economic crisis raises new problems, to the proportions and complexity of which men's minds will have to adjust themselves. If they do so unreservedly, each contributing his due share to the common task, hope and confidence will take the place of anxiety and doubt.

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#### Appendix.

##### LIST OF DOCUMENTS SUBMITTED TO THE ECONOMIC CO-ORDINATION SUB-COMMITTEE FOR EXAMINATION (AUGUST 31ST, 1931).

1. Report of the Sub-Committee of Economic Experts.  
Document C.510.M.215.1931.VII.
2. Report of the Credit Problems Committee.  
Document C.504.M.211.1931.VII.



3. Memorandum by the President of the International Institute of Agriculture on the Creation of an International Organisation for Short-term Agricultural Credits.  
Document C.501.M.209.1931.VII.
4. Report of the Committee to study the Problem of the Export of Future Harvest Surpluses of Cereals.  
Document C.430.M.179.1931.VII.
5. Communications from the German and Roumanian Governments regarding Preferential Customs Duties for the Import into Germany of Barley for Fodder and of Roumanian Maize.  
Document C.503.M.210.1931.VII.
6. Communications from the German and Hungarian Governments regarding a Preferential Customs Duty for Wheat of Hungarian Origin when imported into Germany.  
Document C.507.M.213.1931.VII.
7. Extension of the Special Facilities to Agricultural Products other than Cereals: Communication from the Greek Government.  
Document C.486.M.207.1931.VII.
8. Conclusions of the Economic Committee on the Problem of the Trade in and Transit of Farm Products of Animal Origin.  
Extract from Document C.427.M.177.1931.II.B.
9. Report of the Committee on Unemployment.  
Document C.437.M.184.1931.VII.
10. Draft Pact of Economic Non-Aggression submitted by the Government of the Union of Soviet Socialist Republics.  
Document C.354.M.153.1931.VII.

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Official No. : C.510.M.215.1931.VII.  
[C.E.U.E.50.]

## ANNEX 2.

### REPORT OF THE SUB-COMMITTEE OF ECONOMIC EXPERTS.<sup>1</sup>

LETTER FROM THE PRESIDENT OF THE SUB-COMMITTEE OF ECONOMIC EXPERTS  
TO THE PRESIDENT OF THE CO-ORDINATION SUB-COMMITTEE ON ECONOMIC QUESTIONS.

Geneva, August 29th, 1931.

In transmitting to you the attached report of the Sub-Committee of Economic Experts, I have the honour to inform you that all its members are anxious that the economic *rapprochement*, which they hope to establish between the countries of Europe, far from proving harmful to the economic relations existing between Europe and the other parts of the world will, on the contrary, have the effect of intensifying those relations and rendering them closer and more beneficial to both sides.

The Sub-Committee considers that it would undoubtedly be advantageous if, as soon as the form and purpose of the plans in contemplation, with a view to bringing about this *rapprochement*, have sufficiently taken shape, an opportunity may be provided for a full examination of the possible repercussions and effects, which such plans might produce on the interests of non-European States.

(Signed) TRIP.

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<sup>1</sup> The Sub-Committee was composed as follows :

President : M. Leonardus TRIP (Netherlands).

Belgium :	His Excellency M. Emile FRANCOU.
British Empire :	Sir Walter LAYTON.
Czechoslovakia :	M. Jan DVORACEK.
France :	M. René DUCHEMIN.
Germany :	M. Clemens LAMMERS.
Italy :	His Excellency M. Giuseppe DE MICHELIS.
Netherlands :	M. Leonardus TRIP.
Poland :	Dr. Paul MINKOWSKI.
Sweden :	M. Bjorn PRYTZ.
Union of Soviet Socialist Republics :	Professor Eugène PREOBRAJENSKI.

## INTRODUCTION.

In accordance with the resolutions on economic questions adopted on May 28th, 1931, by the Committee of Enquiry for European Union, we were appointed by our Governments to examine in complete freedom and in a spirit of liberal understanding all means which might seem calculated to bring about closer and more profitable co-operation between the different countries with a view to improving the organisation of production and trade.

Our Committee approached its task with a desire to avoid any incursion into the political sphere and to limit its study entirely to strictly economic problems.

In examining the causes of the crisis and its evolution, however, it was struck by the primary importance of the part played by the factor of confidence in aggravating the world situation.

The growing international distrust is accentuating the effects of the crisis, increasing the obstacles to the normal circulation of capital and obstructing to an ever-increasing extent the whole mechanism of international trade.

Lack of confidence not only entails stagnation of capital, reluctance to lend abroad, and refusal to enter into long-term undertakings, but also tends to paralyse and retard all forms and phases of economic life.

The result is a flagging of the spirit of enterprise, the postponement of programmes already decided upon, the abandonment of the search for new markets, the limitation of the purchase of raw materials to daily requirements, and the dismissal of workers.

Lack of confidence is revealed not in what is done, but in what is left undone. Excessive caution has taken the place of productive activity, stagnation that of progress.

No doubt many other reasons lie at the root of the crisis, and mistakes have been made ; but it is the psychological condition just described which tends to maintain and prolong it.

It is for the Governments, supported by public opinion, to make efforts to achieve closer co-operation and mutual support in order to restore a better state of affairs.

Such an attempt, by removing disturbing elements, will help to revive trade and promote the resumption of financial and economic operations on a large scale.

We fully realise, however, that a return of confidence would not in itself be enough to bring about any substantial measure of recovery.

There would still remain a large number of problems arising out of the collapse in the prices of raw materials, the difficulty of adjusting the levels of prices under existing circumstances, the disequilibrium between production and consumption, the necessary reduction of costs and the excessive increase in public expenditure.

Some of these problems lie outside our competence, while others can only partially be influenced by European co-operation.

Even if normal conditions return, however, the question will still remain whether the peculiar weakness of the economic structure of Europe is not largely due to its division into a large number of units.

We are unanimously of opinion that there is no prospect of improving the economic situation of the world, and of Europe in particular, without a freer circulation of goods, capital and labour. Very great efforts have undoubtedly been made in this direction by the League of Nations — particularly since the World Economic Conference of 1927. It is possible, however, that these efforts, in giving chief prominence to the establishment of greater freedom in the circulation of goods, may not have taken sufficient account of the connection which should exist between this question and that of the circulation of capital and labour. In any case, we are compelled to admit that the League's efforts in this sphere have so far led to very inadequate results.

This failure is due not to lack of good-will on the part of the Governments, but primarily to the numerous and increasing difficulties which several countries have encountered and are still encountering as a result of the war and the world depression.

Hence we have considered whether by a new conception of European co-operation and by a concerted modification of the economic relations existing between the countries of that continent, it would not be possible to bring about a new state of affairs which would promote both economic development and lasting peace in Europe.

Any effort in this direction must clearly be based on a spirit of loyal co-operation and the laying aside of any feeling of distrust which might hinder the achievement of the desired goal.

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We have therefore devoted the greater part of our report to the important problem of international trade. We have also considered that the organisation of production as well ought to be studied, not only as an independent problem but also as a possible means of promoting a closer economic union. Lastly, we have had before us an interesting proposal made by M. Francqui on the subject of long- and medium-term credits, the full text of which is annexed to the present report.

We recognise that we have only touched in a very general way on the grave and difficult problems of to-day. We do not think, however, that we are called upon to give a full account of the causes and evolution of the crisis. The Eleventh Assembly of the League of Nations expressly entrusted that task to its Economic and Financial Organisation and to the International Labour Office. Our task was thus confined to an examination of the means by which a better and closer co-operation between European countries could be achieved.

## PART I. — COMMERCIAL POLICY.

### CHAPTER I.

Prior to 1914, the economic policy of the various countries reflected their various situations, as these had developed through a long process of evolution.

The war, the abnormal economic position to which it gave rise and the crisis which is at present developing, have accentuated the differences between the economic tendencies of different countries. To approach the problem from a purely theoretical point of view could only lead to pronounced differences of opinion. The Committee has, therefore, ignored theoretical considerations, and proposes to consider the present situation from a strictly objective point of view.

The conclusions to which its discussions have led are set out below.

The multiplicity of Customs tariffs, resulting from the division of Europe into a large number of separate economic units, is in part responsible for a duplication of productive capacity, and an over-production of many commodities. This state of affairs is out of harmony with the growth in facilities for communication and intercourse, and with advances in industrial method which need an enlargement in the scale of production.

Obstacles to the free circulation of goods are moreover an impediment to the discharge of the interest on investments — some of them unwisely conceived from the economic point of view in post-war years — which have been made by European as well as by non-European countries. There is a certain normal relation between the movement of goods and the movement of capital. If that relation is not maintained, then, sooner or later, economic disequilibrium will result.

These conditions have hampered the natural evolution of the economic life of the most densely populated continent in the world. In spite of the obstacles to trade, the actual volume of international trade in Europe itself had by 1929 succeeded in reaching and even in passing the pre-war level. But this result at the end of fifteen years is a very modest achievement indeed compared to the rapid progress that was being made before the war, when the volume of international trade multiplied itself fourfold in forty years. Material well-being cannot make rapid progress in such conditions. The advantages of scientific achievement can only be applied in a limited degree, and a continent which so dismembers its economic life condemns itself to a very limited rate of progress.

Nevertheless, although the World Economic Conference of 1927 pointed out the disadvantages of this condition of affairs, there has been no marked improvement. That Conference did, it is true, have the effect of checking some of the tendencies towards increased protection, and it can be claimed for that and subsequent efforts of the League of Nations that the countries of Europe have paid more heed during the last few years to the possible effects on other countries of changes in their commercial policy. Although certain of the agreements drawn up at Geneva — notably the Convention for the Abolition of Prohibitions and the Commercial Convention — have not been generally applied, many countries have in practice endeavoured to act in conformity with the principles of those conventions. The conclusion of a number of commercial treaties, based on the most-favoured-nation clause, has also led to some reduction of existing tariffs. Latterly, however, the general crisis has induced several countries to introduce special measures of a protectionist character (increases of Customs duties, subsidies, compulsory utilisation of home products, etc.).

The reasons why so little has been done to permit a freer development of Europe's economic life are partly economic and partly political. We have already commented, in the introduction to this Report, on the effects of lack of confidence, and we can only repeat here that the economic development of which Europe stands so much in need is dependent upon an assurance of lasting peace; in the absence of this assurance the nations are not content to become dependent upon one another for food, raw materials, or the basic products of industry.

Nor are they ready to run the risk of a violent disturbance of their industrial or agricultural structure, and that has naturally prevented the reduction of tariffs, since the schemes previously studied at Geneva made no special provision for gradual change, having regard to the existing economic structure and to established interests.

Possibly another reason why the policy advocated by the 1927 Conference has met only with limited success is that there has not always been a clear conception of the ultimate goal. In the absence of such a conception to act as a guide as well as an encouragement, tariff reduction, whether by general agreement or by means of bilateral treaties, appeared in the light of a bargaining arrangement and not of a step towards a new and better system of international economic life.

The circumstances of our appointment compelled us to envisage the future economic organisation of Europe and to formulate proposals designed to hasten its realisation. Our terms of reference imply that our object must be primarily a European one, and indeed even if that were not so it would be natural, in framing a programme of closer economic union, to begin with the countries of Europe, since their commercial relations one with another are already very intimate and since a very high proportion of their trade consists of exchange among themselves.

The advantages of an enlarged economic unit are obvious. If full advantage is to be taken of the continual progress of industrial technique, it is essential that production should be specialised, and that larger industrial units should be created. Consequently, wider and more assured markets — the essential basis of any remunerative activity — are constantly demanded by manufacturers at every stage of production. It is only by the extension of these markets that production can be increased and the general standard of living — which is now far too low in certain parts of Europe — can be raised.

A great part of our present industrial difficulties is admittedly due to the stagnation of capital. Any advance towards a common economic policy could not fail to secure greater freedom of movement for capital, inasmuch as some countries have a surplus of financial resources, while others have a deficiency.

The result of such a *rapprochement*, and, indeed, one of its advantages, would be that commercial interdependence and the specialisation of production (industry and agriculture) based on the aptitudes of different countries would be much more pronounced than at present. In fact, any trade always implies some measure of interdependence, and must be founded on specialisation. This inevitable tendency would be accentuated by such a development.

*The ultimate goal must be the widest possible collaboration of the nations of Europe in the sense of making Europe a single market for the products of any and every country in it.*

## CHAPTER II.

The Committee is not blind to the great difficulties which stand in the way of the rapid accomplishment of any scheme of European union. It is therefore necessary to consider by what practical means any *rapprochement* among the countries of Europe in the economic field might be advanced.

For the validation of this object tariff negotiations are always of great importance. These, however, are not enough in themselves, and we must therefore examine with an open mind all the methods which, while respecting the legitimate interests of every nation, would allow of progress towards European union.

Regarding these *rapprochements* purely from the economic point of view, which is the only one compatible with our terms of reference, they should be subject to the following conditions :

(a) The groups of countries which they affect should be such as to ensure that they are in conformity with the general interest and contribute to the general progress of Europe ;

(b) They must not injure the interest of other countries, but must, on the contrary, tend to encourage economic intercourse with them ;

(c) They must as far as possible include the free movement of individuals, goods and capital, and indeed all forms of economic activity, so that a fair balance may be established between sacrifices and advantages ;

(d) If they lead to treaties or agreements different from the ordinary commercial treaties :

(1) These must be open to accession by all countries prepared to conform to the obligations which such treaties or agreements entail ;

(2) They must provide for the granting of the stipulated advantages to non-signatory countries which accord equivalent advantages, whether by treaty or by virtue of their own autonomous policy.

We do not in any way wish to modify the general basis of the most-favoured-nation clause, which must remain the essential safeguard of normal commercial relations between the nations.

If any of the agreements which we contemplate should in any way affect the rights which third parties enjoy under that clause, such agreements cannot of course come into force until an understanding has been reached with these non-contracting parties.

We think, however, that cases may arise in which European or non-European countries which are not parties to the agreements in question may, without prejudice to

their individual interests, be willing to agree to some modification of their rights in view of the benefits likely to accrue to the world in general from the growing prosperity of Europe as a whole which such agreements are designed to promote.

In this chapter the Committee has had in view all possible forms of *rapprochement*. In the attempt to reach an economic *rapprochement* it is possible that Customs unions may be contemplated. Any such unions—which must of course comply with the conditions enumerated above—would, in their initiation and by their character and their extent, be designed to enlarge markets, to increase the volume of trade and gradually to bring about general tariff disarmament.

### CHAPTER III.

The establishment of closer economic relations would indeed be a backward step if it seriously affected the trade of third parties. Some diversion of trade is to be expected on the conclusion of any economic agreements, but the disturbance would be more serious if it involved any intensification of protectionist measures. It is essential, if this peril is to be avoided, that these economic agreements should initiate a movement for the reduction of tariff barriers generally.

Moreover, such agreements should as far as possible be of a permanent character. The shortness of the period for which existing commercial treaties are commonly concluded is one of the main causes of the economic uneasiness of Europe. States which enter into close relations of the kind we are envisaging would no longer need to readjust their commercial relations by frequent negotiations. This would serve to stabilise their relations with other countries, whereas to-day those relations are affected by the manifold changes brought about in the commercial relations of the countries concerned. If, in addition to this, the countries making the *rapprochements* were prepared, as a result of the new stability in their economic relationships, to conclude commercial treaties of long duration with other nations, this would be a real step forward for Europe.

In this new atmosphere, international labour conventions would encounter fewer difficulties and their extension would, in its turn, by the reduction of differences in standards of living, permit of further progress in international co-operation and a more rational utilisation of human energy. Certain technical work which the Economic Committee has accomplished with a view to facilitating such *rapprochements*, particularly in connection with unification of Customs nomenclature, will have a similar result.

Closer economic relations between nations would, moreover, offer positive advantages to other countries, including extra-European countries, and in particular to those which are producers of raw material, in consequence of the increased economic activity which would result from them.

### CHAPTER IV.

If economic understandings of the kind we have been considering should at any time take the form of Customs unions, they would only achieve the desired results if they too take account of the situation of countries which are not prepared to participate. There are some countries which may not be prepared for some time to throw open their markets to the participating countries, or to reduce their tariffs to a common level; there are others which may be unwilling to do so either because of their special relations with countries outside Europe or because of the low level of their tariffs.

As regards the first class, the improvement of trading relations must be sought (*a*) by an extension and improvement of the present system of commercial treaties; (*b*) by the conclusion of general agreements for preventing the increase of trade barriers, such as the Commercial Convention of March 24th, 1930. It is possible that the wider scope of such treaties would afford greater reciprocal advantages than under the present regime, which makes it necessary to conclude separate agreements with a large number of separate States.

As regards the second group of countries, it is neither equitable nor is it in the interests of Europe as a whole that, because of their liberal commercial policy, they should be denied the possibility of forming part of and thereby enlarging the scope of the European market. Nor is it in the interest of the other continents that they should not be admitted to form part of a European unit unless they increase the protection of their own market against third parties; for, clearly, the present liberal policy of such countries may serve as a basis upon which greater freedom for international commerce throughout the world as a whole could be built. It is desirable, therefore, that any European group or nation which is willing to extend the freedom of its market by the inclusion of free-trade or low-tariff countries should be permitted to do so, subject to agreement in regard to the fiscal duties of the parties concerned.

It should be added that the beneficial effects of any action in the sense indicated in the preceding pages will necessarily be limited, unless there is a tendency towards a more liberal commercial policy on the part of other countries throughout the world.

If certain countries continue to pursue a policy of ever-increasing protection while others are moving in the opposite direction, it must inevitably lead to the disorganisation of production, increase the disparity between the levels of prices in different countries, and greatly complicate the task of those whose business it is to maintain stability in the

monetary and credit system of the world; and finally it will make it more difficult than hitherto to maintain the most-favoured-nation clause in its integrity and in its universal form between systems which accord to international trade a growing disparity of treatment.

In conclusion, the Committee strongly urges that, apart altogether from the preceding suggestions designed to initiate a movement towards closer economic understandings, the measures recommended in the Commercial Convention, with a view to preventing any further aggravation of the present situation, should be put into force.

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## PART II. — REPORT ON INDUSTRIAL AGREEMENTS.

In the first place, the Committee desires to call the attention of the Commission of Enquiry for European Union to the important report on the economic function of international industrial agreements, drawn up under the direction of the Economic Committee by a group of men specially qualified to deal with this problem. The report, which is about to be published, will contribute largely to enlighten public opinion on the various aspects of a problem of which too little is as yet known, and on which, consequently, judgments are not always formed with all the knowledge and impartiality that might be desired.

The Committee considers that international industrial agreements may, in certain cases and under certain conditions, play a useful rôle and that, though their scope is not unlimited, the extension of industrial agreements may result in an improvement of the organisation of production in Europe.

Industrial agreements may have the following advantages :

- (a) A better adjustment of production to consumption ;
- (b) The stabilisation, to some degree, of sale prices ;
- (c) The diminution of risks ;
- (d) The reductions of costs, whereby new sources of consumption may be tapped ;
- (e) The centralisation of useful information ;
- (f) Greater stability in the employment of and the wages paid to labour.

There should be no artificial encouragement afforded to the creation of international industrial combines, which should be the outcome of economic conditions alone and the spontaneous initiative of manufacturers. Neither the formation nor the operation of combines should be influenced by any governmental action aimed at using them as an instrument of pressure in the field of commercial policy. Their development should be in harmony with the treaty policy of the various countries so as not to hamper the steps taken to promote international co-operation.

Generally speaking, the advantages of combines will be the more obvious and their disadvantages the less formidable in proportion as the steps taken by the States towards co-operation in the sphere of tariffs, commercial treaties and agreements, the distribution of raw materials, capital and labour prove more effective.

It should, however, be remarked that if industrial combines should go too far in raising prices — for example, by abnormally restricting output — the consequences would be dangerous for unorganised industries, for the countries which lack certain raw materials and for the combines themselves. Abuses certainly may lead to the rapid disappearance of combines, but not before they have had disastrous effects on the consuming industries.

It is the duty of individual States to take the necessary steps in their own territory to prevent such abuses.

The Committee also desires to point out that, in the general interest and in the interests of the combines themselves, wide publicity should be given to their objects and status.

The Committee further considers that any combines formed should be sufficiently adaptable to avoid permanently crystallising the existing conditions of manufacture in the various countries, and to give the economic life of various countries legitimate scope for expansion.

It is of opinion, however, that in the present world economic situation increases of output should be contemplated with the utmost caution.

Moreover, the combines should devote attention to the possible effects of the financial problem on their operation, inasmuch as both their stability and their influence on the organisation of production may frequently depend on the possession of adequate funds.

The Committee would also emphasise the fact that combines which pursue a policy of this kind may lead to a community of interests favourable to the realisation of European union.

Community of interests, whatever their origin or their form, tend to create a favourable atmosphere for commercial negotiations and to bring about that reconciliation for which the public in all countries is so eager.

In conclusion, the Committee would be glad if the League of Nations could continue its investigations and enquiries into the principal industrial problems.

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### PART III. — LONG AND MEDIUM-TERM CREDITS.

The financial problem has played a highly important part in the development of the world crisis. We have not, however, had the opportunity fully to study all aspects of this problem, which would in itself have occupied us for a long time. We therefore must confine ourselves to one or two very general observations.

The first is that it is of fundamental importance in the present circumstances to maintain stability between the currencies of the various nations of the world—a task which demands in special degree co-operation between the nations. We welcome the evidence of the last three months that this co-operation is being progressively realised.

Our second comment is that the turn of the tide of economic depression must be accompanied by the resumption of the flow of capital in its normal volume. One of the most striking evidences of the crisis is the fact that owing to the lack of confidence the international export of long-term capital for productive purposes has practically ceased. The result is that productive enterprises, which might in other circumstances have been launched, have not been undertaken, with a consequent diminution of the demand for industrial and other products. If the process of investment could be resumed, trade would be stimulated and the present depression lightened.

We therefore endorse the opinion expressed by the French Government in its memorandum to the Commission of Enquiry for European Union, in which it is stated that “a movement of capital from countries having credit balances to markets showing a deficit is an essential preliminary condition of European reconstruction.”

The removal of the causes of distrust to which we have repeatedly drawn attention is the most important factor which will stimulate this renewed investment, and the Committee is of opinion that in present circumstances these normal channels may be effectively supplemented by various methods of international co-operation.

We noted that an International Agricultural Mortgage Credit Company would shortly be set up under the auspices of the League of Nations and on the basis of the recently signed International Convention. This would enable European agriculturists to obtain the capital they urgently need at a cheaper rate. Moreover, under the auspices of the International Institute of Agriculture, the constitution of an international institution for the organisation of agricultural credit is in preparation.

These measures may have very beneficial results in their particular sphere on commercial and industrial exchanges, but they leave untouched the general sphere of industry.

In this sphere we have taken up as being a suitable means of reviving trade the suggestion made by our colleague M. Francqui, Minister of State, to set up a new institution which would be an intermediary between the lending and borrowing markets and the machinery of which is described in M. Francqui's note attached to the present report.

The object of this institution would be to carry out all financial and banking transactions necessitating co-operation between the financial establishments of the different markets with a view to reviving trade. It would grant long and medium-term credits (excluding all loans which States desired to obtain by public issue) and in general would undertake financial transactions of any description likely to restore economic equilibrium, including transactions connected with the execution of important works.

We would add that, in order to ensure the smooth working of the machinery of credits, the Bank for International Settlements should remain in constant touch with this institution and all other existing or future international organisations having similar objects. Such co-operation, which would leave the various organisations independent, seems indispensable for the achievement of the work of general interest which these organisations propose to accomplish.

We propose that the Commission of Enquiry for European Union should ask a suitable organ to carry out a complete technical study of M. Francqui's draft, with which the Bank for International Settlements and the Committee on Credit Problems are already acquainted.

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#### Appendix.

[*Translation.*]

#### NOTE BY M. FRANQUI, DELEGATE OF BELGIUM, ON IMMEDIATE PRACTICAL METHODS OF ALLEVIATING THE ECONOMIC POSITION IN EUROPE.

As has been said many times here and elsewhere, Europe is in a very serious position. So serious is it that, if a remedy is not rapidly found, the worst may be feared. In spite of this, the world has not yet discovered a practical means whereby all the countries could collaborate frankly and loyally to save Europe, and incidentally the whole world, from disaster, even in spheres where their interests are obviously identical. A remedy must, however, be promptly found which will give *immediate* results, even though these results

are restricted in the early stages, as the important thing is to restore confidence. Certain people at the head of the business world have come to believe that the present difficulties cannot be solved. Gradually, people are coming to resign themselves to the present difficulties without attempting to overcome them, as they are convinced that there is no hope. This is the most serious aspect of the question, since, so long as there is no spark of hope and scepticism and mistrust hold the day, no plans for remedying the position, however admirable, can succeed. All countries must jointly and without delay devise a *feasible* plan based on a generous conception of solidarity and co-operation. Indeed their salvation depends on this.

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From our particular point of view — that is to say, that of production and trade — the present position may be summed up by saying that the world depression is due to the existence of a formidable machinery of production, the markets for which are diminishing as a result of the extreme nationalist policy pursued by many countries, who have endeavoured, by means of Customs measures, to keep the whole of their production for their own markets, and also to the elimination of certain large markets (which used to constitute the principal outlet for industrial production), owing to the fall in their purchasing power.

The remedies are obvious :

(a) Regulation of production and organisation of industry on international lines by means of combines and agreements ;

(b) Increase of the large European market by means of the lowering of Customs barriers ;

(c) Joint attempts to strengthen, by means of long-term credits, the purchasing power of countries which, if their purchasing power were greater, would be able to exploit their natural resources and thus stimulate trade.

This idea is strikingly expressed in the French plan. The French Government states in its memorandum that it is important to work for the *fulfilment of the measures of financial co-operation without which no plan of European reconstruction can be effectively carried out. A movement of capital from countries having credit balance to markets showing a deficit is, it adds, an essential preliminary condition of such reconstruction.*

As regards (a), the French plan warmly advocates “strengthening existing combines”, “extending their field of action” and “setting new ones on foot” as a real remedy for the present depression. There can be no doubt that the conclusion of *loyal* agreements by those concerned, with a view to the reasonable adaptation of production to demand and the equitable distribution of markets, is to be recommended in certain conditions.

But the setting up of such groups will take time, and the French suggestion can hardly be regarded as an *immediately* practical method of improving the position.

The question under (b)—that of the adjustment of Customs tariffs—deserves special attention.

Nevertheless, we cannot hope for tangible results for some time, however diligently those concerned apply themselves to their task. What is needed are *immediate* results.

I now come to (c)—that is to say, to the problem of credit as a method of *reviving international trade*. In our view, this is the best means of finding practical solutions calculated to yield tangible results *within a relatively short time*.

\* \* \*

A few preliminary remarks should be made.

The considerable movements of exports from Europe to oversea, as well as to Near-Eastern or certain other European countries, were due in the past, to a parallel movement of capital. The loans which Europe granted to these countries were mostly for the construction of railways, harbours, roads, etc.—that is to say, for the economic equipment which those countries needed for the exploitation of their natural wealth. These loans, while bringing large orders to the industrial countries, stimulated the economic activity, thus making it possible for them to meet the service of the loans and, by increasing the wealth of the

population, led to increased purchases of manufactured articles. This is not the case today. These countries can no longer contract loans owing to the *lack of general confidence*, and their population can consequently no longer procure the income which it obtained in the past—directly, through the execution of the constructional work on a large scale for which the loans were raised, or indirectly in the shape of the general economic development rendered possible by the loans. Long-term loans—those great stimulators of purchasing power—and long-term credit for the consumer no longer exist.

In various countries such as the Netherlands, France, Germany, Italy and Belgium, private initiative has set up one or more institutions the share capital of which varies between one and two million pounds, and the object of which is to finance international commerce by granting medium-term credits. These institutions, which are really credit banks, though for medium-term credit, discount bills at three, four, five or even six years presented to them by industrialists wishing to sell in foreign markets where they are asked for credits of a similar length, or bills presented by organisations operating electricity undertakings, railways, etc. All these credits would be granted until they could be consolidated by long-term loans as soon as confidence is restored.

It is realised, however, that these institutions, however large their capital and however well they are patronised, have but a limited amount of funds available for their special purposes. They are thus restricted in their activities; and this leads to a second observation.

Let us not forget that it is the creation of issue banks which has so largely helped to intensify trade between the various centres of one and the same country. Before the existence of issue banks, the private banks could only assist local trade—and that within the limits of their resources, which were by no means great, as they only had metal money. Immediately these banks were able, when their discounting capacity was exhausted, to apply to an issue bank for the re-discounting of their commercial bills, commercial transactions were increased and extended, as the issue bank acquired, by the issue of notes, a power of action limited only by its obligation to maintain a certain ratio between its commitments and its reserve. The issue banks are thus the central reservoir, as it were, on which the private discount banks can draw by way of re-discounting when they are short of assets for their internal short-term (100-day) credit operations. Thanks to this source of help, home trade has been intensified.

\* \* \*

In view of these considerations, cannot we conclude that, in order to stimulate international trade, it would be well to set up an international financial institution to support, supplement, co-ordinate and canalise the export of medium-term capital by the establishments recently set up in France, Germany, the Netherlands, Switzerland and elsewhere, and those to be set up in the near future? Such an institution would do for the private banks, in matters of medium-term credit and international trade, what the issue bank of a country does for its commercial banks as regards the short-term credits needed for home trade. In other words, just as the issue bank of a country is the centre from which the national banks obtain, by means of the re-discounting of part of their bill holdings, the liquid assets which they need to increase the volume of their discount business and thus of their internal commercial operations, so the institution which I contemplate would act as a reservoir on which, through the re-discounting of their medium-term paper, the banks specialising in the discounting of such paper would draw, in order to extend their medium-term credit operations and their international business.

The issue banks have, however, in virtue of their privilege of issue, a practically unlimited reserve of *notes*—that is to say, *sight promises*—wherewith to satisfy the applications for the re-discounting of *short-term paper* made by the national banks. In order to carry out its function of a re-discounter of *medium-term paper*, the institution in question would have to be able to issue *more or less long-term promises*—that is to say, *bonds*.

This is, in my view, the principle on which should be based any *immediately* practicable scheme for procuring medium-term capital, which the world needs in times of depression, and thus open up fresh markets for trade and revive those which have dried up by strengthening their purchasing power—all this pending the possibility of placing long-term loans on the international markets.

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The practical organisation of such an institution should be made the subject of a careful investigation, which could be completed in a very short time. Let it suffice here to say that the difficulties which would be encountered in this connection could easily be surmounted by financial technique. We will merely indicate the main lines on which this institution should be founded and function.

As regards its capital, this should obviously be large, both for reasons of prestige and also because it would provide a further guarantee for the bonds issued, in addition to the holding of re-discounted bills. A sum corresponding to 100 million dollars might be earmarked for this purpose as a beginning. This capital would be subscribed in full, but only 10 to 20 per cent would be called up. The banks and industrial companies more immediately interested in the kind of operations in which the bank would engage would be asked to subscribe the capital.

When we remember how quickly and easily the capital (\$100 millions) of the Bank for International Settlements, an institution designed for co-operation in the monetary sphere, was subscribed, we may hope that for this institution, which is also designed to promote co-operation and serves an *urgent general interest*, it will be equally easy to procure the necessary capital.

The object of this bank would be to re-discount the medium-term paper of the institutions already set up or which would certainly be set up for the granting of medium-term credits necessitated by transactions with a definitely productive aim (railways, works of public utility, etc.). It would act in some sort as a banker for the banks supplying medium-term credits. Its work in this field would of course only be temporary. Once confidence was sufficiently restored, or the position of the financial markets allowed of the issue of long-term loans, certain credits accorded by the institution could be consolidated by means of such loans.

For this purpose the new institution would issue bonds to an amount not exceeding three to five times the amount of the capital subscribed.

It would be desirable if these bonds could be converted into really international securities and could circulate freely and easily between the great financial markets, and if the Governments would undertake not to place any fiscal or other obstacle in their way.

Lastly, close and constant relations should be established, in their mutual interest, between the new organisation and the banks of issue, or rather, the Bank for International Settlements, which is simply an emanation of the banks of issue and a connecting link between them. The principal task of the Bank of International Settlements is to maintain the stability of the currencies of the different countries. It will readily be understood, without our going into details here, that the credit operations of the new organisation may at certain moments involve, for example for the debtor countries, an exodus of capital on a large scale (refund of credits granted), which might imperil the currencies of these countries, thus singularly complicating the work of the banks of issue in the first place, and in the second place, that which the Bank of International Settlements is endeavouring so perseveringly to carry through. On its side, the Bank of International Settlements, at which the Governors of the banks of issue meet every month and which thus constitutes an ideal information centre on the standing of the different countries, will be in a position to inform the new institution on the advisability of agreeing to certain operations proposed to it, the solvency of buyers, etc. In short, there should be close relations between the two institutions, which would involve no responsibility on either side, but which are indispensable in the best interests of the important task they would be performing.

Such an organisation — and this is a point I would strongly emphasise — could be set on foot in a *relatively short space of time*. For this purpose, it will be necessary for the Governments, in that spirit of co-operation and collaboration which the French Government so strongly recommends in the plan submitted by it to the Commission of Enquiry for European Union, to understand its importance and refrain from hindering its creation.

The very nature of the institution's operations would be such as to allay all apprehensions as to its risks. Its re-discount holdings would only include bills with a sound backing. In most cases, the bills delivered to it would carry three signatures: that of the principal debtor, that of the direct creditor and that of the institution having discounted the bill and presenting it for re-discount to the new re-discount organisation. The latter would therefore be able to take action against all these signatories in case of losses.

To sum up: an organisation of the kind whose creation and operation we have briefly sketched above, might constitute a practical and rapid means for reviving trade immediately.

We must repeat that, so long as the lack of confidence continues, due as it is to different reasons of a political nature which have aggravated the present economic depression, any movement of capital from countries possessing credit balances towards markets with a debit can have no influence on the economic recovery of these markets.

It must also be thoroughly realised that, whatever political measures the Governments may shortly be obliged to take to restore this confidence, the latter will only return very slowly. Meanwhile, means must be found of enabling debtor countries to recover from the crisis and even to exist. We consider that the Bank, the principles of which we have just outlined, constitutes one of these means. In any case it must not be forgotten that, if nothing is done to assist these countries, their situation will rapidly grow worse and they will be threatened with complete collapse.

ANNEX 3.

REPORT OF THE COMMITTEE ON CREDIT PROBLEMS.<sup>1</sup>

(Geneva, August 24th to 26th, 1931.)

A year ago the Financial Committee made a special report on the stage which it had then reached in its work, on the ground that the work of financial reconstruction was so nearly completed that the kind of service which the League could render to its Members in the financial field was changing in scope and character.

The vast majority of countries with complex economic structures had reformed their finances and connected their currencies with gold. The Committee thought that the special and temporary category of work, involving financial reconstruction with the aid of loans issued under the auspices of the League, was nearing its end, and that some definition was required of the other more normal duties of the Committee as the financial advisers of the League within the framework of the Covenant. The Committee accordingly submitted a report concerning its work and functions, which was approved by the Council and by the Assembly on September 24th and September 29th, 1930, respectively.

The Financial Committee undoubtedly took a correct view of the probable course of events on the basis of data then available. It is true that the rapid fall of world prices, the contraction of trade and production — in a word, the first stages of the general economic depression — had severely affected the economy of a number of countries; but there was at that time no reason to anticipate that the difficulties would not be righted through the normal process of economic and monetary reactions.

In May 1931, however, when the Commission of Enquiry for European Union met, a much more acute stage of the depression had been reached; the fall in world prices had proceeded yet further and faster. It had begun to be evident that special measures of international financial co-operation would be necessary.

The French Government submitted a memorandum in which credit problems, *inter alia*, were dealt with, and suggested that certain special measures might be organised or examined through the instrumentality of the League, and emphasised particularly the importance of systematic intervention by the Financial Committee at any time when the urgent need for capital was revealed throughout the world.

It was in these circumstances that the Commission of Enquiry for European Union recommended, and that the Council decided, to set up a Committee of Government representatives to consider, in conjunction with a delegation of the Financial Committee, "what practical steps could be taken to facilitate the use of State loans of an international character by more active intervention on the part of the League of Nations, within the scope of its organisation and in agreement with the bodies controlling the principal markets". It had become clear that, quite apart from the special responsibility of the League in the case of certain countries whose finances had been reconstructed on the basis of the advice given by the Financial Committee, the special and temporary category of reconstruction work on which the Committee had been mainly engaged was by no means terminated.

Since May 1931, however, further changes of the gravest character have occurred, and have illustrated in the most acute fashion the danger of many countries "borrowing short and lending long". Various events which are described at length in the Interim Report on the Economic Depression<sup>2</sup> had led, in 1929, to the drying up to a very considerable extent of the stream of international long-term lending. But the requirements of the world for credit did not fall in proportion; and, in actual fact, short-term borrowing was resorted to in order to meet a great part of those requirements, notwithstanding the fact that the requirements were, largely at least, of a permanent character and that the funds borrowed on short-term have undoubtedly been used, not only for working capital which has tended

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<sup>1</sup> The Committee was composed as follows :

*Government Representations.*

Dr. BACHMANN (Switzerland).  
M. ESCALLIER (France).  
M. Camille GUTT (Belgium).  
Sir Frederick LEITH-ROSS (Great-Britain).  
M. WALLEMBERG (Sweden).

*Members of the Financial Committee.*

Count DE CHALENDAR.  
Mr. NORMAN H. DAVIS.  
M. Paul KEMPNER.  
M. C. E. TER MEULEN.  
Dr. Vilém POSPISIL.  
Sir Henry STRAKOSCH.  
M. Fulvio SUVICH.

<sup>2</sup> Document C.284.M.134.1931.VII, submitted in May 1931 to the Commission of Enquiry for European Union.



to become frozen as the continued fall in prices increased the difficulties of industry, but also for fixed capital or other forms of permanent investment. The situation so created has obviously been of a most unstable character, and any shock to confidence was naturally sufficient to upset equilibrium and start a process which was capable cumulatively and rapidly of reaching the most alarming dimensions. This is what has, in fact, happened, and the problems of the moment are so acute as to occupy almost the whole attention of Governments and central banks.

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The Committee was appointed to consider a specific problem with reference to the part which might be played by the League of Nations in connection with long-term international financial transactions.

Meeting as it is at the acutest moment of the crisis, the Committee has fully realised that the difficulties which it has had to study and the remedies which it proposes are, relatively speaking, quite secondary in character. At this moment, when the general economic and monetary situation calls for daily action by the responsible authorities it may seem idle to recommend measures which will be neither immediate in their effect nor dominant in their efficacy.

The factor which, more than any other, is upsetting the normal course of long-term lending transactions is the shaking of confidence which has resulted from the fall in prices and the consequent economic and social disequilibrium and from political causes. Capital exists, but it will not become fully available until confidence is gradually restored.

It is not for us to suggest what political measures might be taken in this connection by individual Governments or by means of inter-Governmental action, nor is it for us to define the economic or monetary measures whereby the existing disequilibrium might be corrected: but only by a visible improvement in political and economic conditions will it be possible to re-establish, along with the revival of confidence, the normal current of investments, which, in its turn, will be a most beneficial factor in restoring prosperity.

In this connection, we wish to refer to the description given and the views expressed in the Second Interim Report of the Gold Delegation (document C.75.M.31.1931.II), the Interim Report on the Economic Depression (document C.284.M.134.1931.VII) and the report of the Committee appointed on the recommendation of the London Conference.

It was in the light of the foregoing observations that the Committee embarked upon its examination of the problems entrusted to it.

\* \* \*

In the French memorandum referred to above, it is suggested that the Financial Committee of the League should be empowered to receive requests from borrowing States when the transactions envisaged — whether they refer to loans for currency purposes or for the financing of large programmes of public works — are such as must, in view of their size, be effected by co-operation between the banks of different countries.

In the report submitted by the Financial Committee in September 1930, and approved by the Council and the Assembly of the League, it was suggested that the League should associate itself with the issue of a loan under its auspices for purposes of economic development only when, owing to special circumstances, "the project promises certain valuable international advantages". Owing to the changes which have taken place in the general economic conditions since that date, we feel that the problem of international loans can no longer be considered by the League solely with regard to their effects on individual borrowing States, but should be viewed rather in connection with the general problem of international credit, and that any action likely to promote a flow of capital to-day would promise "valuable international advantages". We consider, therefore, that the proposal put forward by the French Government in May last constitutes rather a development of than a departure from the policy approved by the last Assembly. We are of the opinion, indeed, that international loans intended to be devoted to purposes of a sound economic character are an important factor to a revival of general economic activity.

We endorse, therefore, without hesitation the proposal of the French Government that the Financial Committee, acting in accordance with the instructions received from the Council of the League, should be prepared to consider such applications from borrowing States as may be made to it for its assistance.

On the other hand, we do not consider that it is its function to take part with bankers in the "formation of lending groups".

The services which the Financial Committee can offer in connection with the flotation of international loans are, and have been, of a different character. To the borrowers it can offer the advantage of an impartial public and considered statement of the financial position of a country, of the value of the securities it can offer, and possibly of the wisdom of the object for which the loan is contemplated. It can suggest, should occasion arise, such measures as would strengthen the credit of the country. The country taking advantage of the services offered, of the collective advice, the public statement and the authority of the League of Nations, might be enabled to borrow more readily than it could were those services not sought.

Finally, as the Financial Committee has already proposed in its report of September last, it might, if the two parties to the ultimate contract desired, act as arbitrator in connection with the loan actually floated.



To the lenders, the Financial Committee would offer the same advantages of an impartial and considered judgment, of being able to exercise its influence in the direction of desirable financial and other measures and of ultimately acting as arbitrator.

We attach particular importance to the part which the Financial Committee might play as arbitrator in the case of disputes between Governments and bondholders. It has already expressed its willingness to do so, not only in the case of loans issued directly under the auspices of the League, but in other cases, "if the contracts be submitted at the time of negotiation to the League of Nations for approval". In such circumstances, it would only be necessary for the League to consider whether the loan was, in its general character, such as it could be associated with, and whether the actual arbitration clause was satisfactory. It would not be necessary to examine the conditions and details of the loan. We think it useful to draw once again the attention of bankers to this proposal, which was made now almost a year ago.

In cases in which the Financial Committee assumes the function of arbitrator, it would obviously be inappropriate for it or its members to act at the same time as trustees of the loan.

In the case of the loans for financial reconstruction, the League has confined itself, except in the case of Austria and Hungary, to demanding a specific control for a defined period of time, or until certain conditions have been fulfilled. Once that control is terminated and the postulated reforms have been executed, its responsibility ceased. Subsequently, responsibility lies with the trustees, who are empowered to demand such information as they may deem necessary in certain cases concerning the budgetary situation and in all cases concerning the yield of the assigned revenues. Since the last of the reconstruction loans under the auspices of the League was floated, the Bank for International Settlements has been founded, and is in our opinion particularly well suited to act as trustee for international loans. The Bank for International Settlements has already accepted the responsibility of acting as trustee for certain recent international loans, and we consider that it would be desirable if this procedure were to be developed.

We are familiar with the considerations which have determined the League in its decision to define and carefully to limit both in scope and in time its responsibilities in connection with loans issued under its auspices, and we are convinced of the wisdom of the procedure which has been adopted. At the same time, we are inclined to the view that it might prove advisable in the future for the Financial Organisation of the League to maintain contact with the Governments of States which have had recourse to it for assistance for a somewhat longer period of time. It would, in our opinion, be to the advantage of all — borrowers and lenders alike — if such contact were established and maintained as to enable such Governments to obtain the advice of the Financial Committee by some perfectly natural and automatic procedure, and as to enable the Financial Organisation of the League to keep the public informed of the financial situation of these States. The relations to be maintained should be easy and automatic. We consider that these contacts can best be maintained by the regular preparation of statements of the public finances of countries which have issued loans under the auspices of the League. The statements might be incorporated in the *Memorandum on Public Finance* now issued by the Financial Organisation of the League. A working arrangement should be reached between the Treasuries of countries which have issued loans under the auspices of the League, by which they agree to send a Treasury representative to discuss the statements prepared with the Financial Organisation of the League.

The suggestions which have been put forward above raise, as has already been indicated, the question of the method by which the work to be undertaken in connection with the type of loan contemplated in the French memorandum might best be executed. The Financial Committee, which is the advisory body to the Council in such questions, possesses a quite special authority and an experience in these matters, and there is, in our opinion, no reason for contemplating the creation of any new organism. The Financial Committee has, in the past, adopted the system of appointing *ad hoc* delegations for one question or another with which it has been dealing, consisting of certain of its own members and of certain other persons with a special competence in the matter under consideration. We suggest that, for the purpose of such work as may arise in connection with the issue of international loans in the future, close co-operation with the Bank for International Settlements would be desirable, and we also consider that assistance of Treasury officials would prove useful.

\* \* \*

In the French memorandum it is also proposed that the competent Committee of the League of Nations might undertake to study under what conditions the possibilities of the free international circulation of bonds could be established or improved. We consider that bonds with such free international circulation would present certain very real advantages, amongst which may be mentioned that they would facilitate the issuing of a loan simultaneously on different markets, and that, by constituting a new international value, they might lessen the international movements of gold. But the experience of recent years has shown that, in practice, this procedure will only be acceptable when there exist *several* markets where the bonds are freely absorbed by genuine investors. If this situation can be achieved, there will, it is true, remain the possibility that one of

the markets may be flooded by the sale of bonds immediately after issue by speculative subscribers who have bought bonds in other markets. This danger could, however, be diminished if, in the first instance, provisional certificates were issued which were good delivery only on the market of issue, and if these certificates were only exchangeable for definitive bonds after an interval of six or twelve months. We attach importance to this suggestion.

\* \* \*

The French memorandum also points out (see document C.402, page 7, line 9) that any noticeable improvement in international relations must in any case manifest itself on all markets by a resumption of normal transactions which are at present rendered difficult by the political atmosphere. This development would relate particularly to the following transactions:

1. More free admission to the market in various national centres of first-class securities, which are at present too often quoted in their market of origin alone; such quotation would permit companies concerned to become better known abroad and thus to obtain capital more readily.

2. A more active participation of the various national financial institutions in investments abroad, either of their reserve funds or of the interest on bonds issued by specialised organisations.

3. Constantly extending facilities for placing on the loan markets of reliable foreign issues by means of appeals to the public, whether loans of public bodies, companies holding concessions or private companies.

We strongly endorse these views, and are of the opinion that the measures contemplated should be pressed forward as rapidly as possible by the competent authorities.

\* \* \*

The Commission of Enquiry for European Union has drawn our attention to the value of the enquiries undertaken by the International Labour Office with a view to relieving unemployment by means of important public works.

We have also taken note of the resolution adopted by the Unemployment Committee, which has requested us "to investigate at once the means of securing the permanent international co-operation required for the execution of any works recognised as furthering the economic development of Europe and to promote for this purpose a policy of long-term credits which may inspire the confidence indispensable to lenders and secure favourable conditions to borrowers." Several Governments have supplied in this connection general information on the public works for which they consider international financial co-operation desirable.

We have not felt ourselves in a position to express an opinion on the technical or economic value of these public works from a European point of view. Moreover, we desire to insist on the financial problems which their execution would involve and on the necessity of only taking into consideration schemes which are of immediate economic utility, and which would not impose upon Governments budgetary charges exceeding their capacities or such exchange transfers as might endanger the stability of their currencies.

We recognise, however, that it would be desirable that authoritative advice should be obtainable when necessary on the question of public works useful from a European point of view and for the execution of which European Governments might ask the League to assist them in obtaining the necessary financial means.

We have noted that the Communications and Transit Organisation of the League has created a Committee of Enquiry on general questions relating to public works and national technical equipment. We therefore propose to the Council to request that body, to which should be added for this purpose representatives of the International Labour Office and, when necessary, of competent organs of the League, to examine the concrete proposals which the Governments might submit to the League. Such examination should bear specially on the following points:

- (a) The economic necessity of the public works in question and the co-ordination with other schemes both from a national and a European point of view;

- (b) Their chances of profits and productivity at an early date.

The findings of the Committee of Enquiry would have to be submitted in all cases to the Financial Committee of the League for consideration of the appropriate action to be taken on them.

\* \* \*

Finally, we have been informed that the Committee of Economic Experts had before them a scheme for the creation of a financial institution for the purpose of granting intermediate and long-term credits by the issue of its own securities. We have not examined this scheme, which raises a number of complex and important questions, the examination of which by us seemed to be premature in the present circumstances.

ANNEX 4.

REPORT OF THE COMMITTEE TO STUDY THE PROBLEM OF THE  
EXPORT OF FUTURE HARVEST SURPLUSES OF CEREALS,<sup>1</sup>

(Second Session — June 25th to 27th, 1931.)

The Committee appointed to study the problem of the export of future harvest surpluses of cereals, convened by the Commission of Enquiry for European Union, met at Geneva on June 25th, 26th and 27th. It was attended by several delegations—those of Hungary, Poland, Roumania, Turkey and the Union of Soviet Socialist Republics—which were not present at its first session (February 26th to 28th).

I.

The Committee began by examining the conclusions to be drawn from the London Conference (May 18th to 23rd), at which the wheat-exporting countries of Europe and overseas endeavoured to organise their sales on the world market on concerted lines. At its first session, the Committee had decided that such organisation was highly desirable and calculated to remedy the dislocation of prices and conditions of sale.

The Committee regrets that it was not found possible to establish a broad international agreement on a worldwide scale, and trusts that efforts to arrive at an understanding will not be abandoned, but will be actively prosecuted.

II.

While not neglecting the worldwide aspect of the problem, the Committee considered the best means of improving the situation from a standpoint limited to Europe. In accordance with its terms of reference, it examined the question of a system of agricultural preference, which the Commission of Enquiry agreed would afford valuable assistance to the peoples of Central and Eastern Europe, who are suffering heavily from the depression.

Much information was exchanged on this subject. It was found that the general discussions on preference had been followed by definite action on practical lines. Certain endeavours have already led to the conclusion of specific conventions, while others are in preparation and under negotiation. The Committee carefully reviewed these patient efforts. The agreements concluded or prepared were considered in the most liberal spirit of co-operation and solidarity. The experiments made, which have varied according to the possibilities in each case, were bilateral in character but have been thrown into the common stock. All concerned have been or will be informed of them, in order that everyone may profit.

The methods employed to put into effect a preferential tariff system differ slightly one from another (reduction of Customs duty or refund of a portion of that duty). All of them, however, must have in common certain features which it is desirable to specify.

In order that the preference may be in no way disguised, these proceedings should lead to public agreements which will be registered at the Secretariat of the League of Nations.

<sup>1</sup> The Committee was composed as follows:

<i>President:</i>	His Excellency M. FRANÇOIS-PONCET (France).
<i>Austria:</i>	M. SCHÜLLER.
<i>Belgium:</i>	M. SUTENS.
<i>Czechoslovakia:</i>	His Excellency M. FIERLINGER.
<i>Estonia:</i>	M. Auguste SCHMIDT.
<i>France:</i>	M. Jules GAUTIER.
<i>Germany:</i>	M. POSSE.
<i>Great Britain:</i>	Major Henry HEYWOOD.
<i>Hungary:</i>	His Excellency M. DE NICKL.
<i>Italy:</i>	His Excellency M. DE MICHELIS.
<i>Norway:</i>	M. P. H. BIRKELAND.
<i>Poland:</i>	M. Adam ROSE.
<i>Roumania:</i>	M. Cesar POPESCO.
<i>Switzerland:</i>	M. STUCKI.
<i>Turkey:</i>	His Excellency HASAN Bey.
<i>Union of Soviet Socialist Republics:</i>	M. Abram KISSIN.
<i>Yugoslavia:</i>	M. TODOROVITCH.

They presuppose the approval of third parties.

If they involve equivalent concessions, the latter will not be of a preferential nature, but will be open to all who can invoke the most-favoured-nation clause.

The preference will be expressed either as a percentage reduction in Customs duty or as a standard reduction; it will apply to specified quantities.

Further, it will represent a temporary and limited exception.

In this connection, the Cereals Disposal Committee would refer to the essential principles laid down, during the Conference with a View to Concerted Economic Action at Geneva in November 1930, by a Sub-Committee appointed to study the question of negotiations regarding the regime of trade between the agricultural countries of Eastern Europe and the Western-European countries — principles which were confirmed or amplified at the subsequent meetings at Paris, Rome and Geneva.

The Committee is of opinion that, with a view to the prosecution of the operations now in progress and the satisfactory application of the preferential regime, and also to avoid jeopardising the success of the present undertaking, these rules must not be neglected, but must be adhered to in every case.

They form the framework within which, in the Committee's view, the preferential regime—whatever form it may take—must be placed in order to raise the fewest possible objections and secure the widest acceptance. The Committee considers that the preferential regime, reduced to these rules and these methods which would limit the scope of the exception it represents, is compatible with the spirit of international co-operation.

### III.

The work of the Cereals Disposal Committee was greatly facilitated by an enquiry carried out, from the standpoint of the countries interested in the export of grain, by the Permanent Committee for Economic Enquiry of the States of Central and Eastern Europe at a session held at Geneva on June 23rd and 24th. This latter Committee defined its views as follows:

(1) The grain exporting countries of Central and Eastern Europe ask for preference for wheat, rye, barley, oats, maize, malt and flour.

(2) They are of opinion that the preferential system will only secure results entirely satisfactory to themselves in so far as it is applied by all the grain-importing countries of Europe. For reasons of expediency, however, they are, at the present time, demanding this regime only from those countries which usually import cereals from them.

(3) Preference is only to be granted for limited quantities, but it is of capital importance to the grain-exporting countries in question that any surpluses they may have should enjoy preference. Only if this is granted, will those countries achieve the object of the preferential regime—that is to say, the raising of the price of cereals in the exporting countries above the world level. For these reasons, the quotas enjoying preference should be so fixed that their total may correspond to the total export surpluses in those countries.

(4) While leaving the choice of the form to be taken by the preference to be decided by bilateral negotiations, the grain-exporting countries in question consider that a reduction of import duties would be the form best calculated to serve their interests.

### IV.

As regards those agreements in preparation which do not relate to Customs duties, but are designed to set up a special system by bilateral conventions with the object of securing better prices for agricultural produce by credit or other facilities, the Cereals Disposal Committee is of opinion that the application of these agreements raises extremely difficult problems, and no final conclusions can be reached on the subject.

Being anxious, however, to avoid giving the impression that certain solutions might seem calculated to weaken the most-favoured-nation clause, the Committee wishes to receive fuller particulars of their exact tenor so that it may be better able to judge.

### V.

The Cereals Disposal Committee was called upon to examine what part it might be desirable for it to play subsequently.

The experience of its present session has made it realise that it is of capital importance for the maintenance of order in international economic relations for the preferential regime granted by certain countries to others to be examined by a neutral organ giving every guarantee of impartiality, to see whether it corresponds to the principles set forth above. It therefore recommends that all arrangements of this nature should be communicated by the Secretariat of the League of Nations to the Cereals Disposal Committee.

### VI.

The Committee considered other solutions for improving the disposal of cereals.

It is convinced that a better organisation of the financing of the production and disposal of cereals would be likely to mitigate appreciably the effects of the agricultural crisis on the exporting countries of Central and Eastern Europe.

It views with great satisfaction the progress accomplished since its last meeting in the organisation of the International Agricultural Mortgage Credit Company, which will probably be ready to begin work next autumn.

It is happy to learn from the declarations made by the representatives of the International Institute of Agriculture, that the investigations undertaken by the latter conjointly with the Financial Organisation of the League of Nations for the international organisation of agricultural short-term credits have been continued. It hopes that they will rapidly lead to international action for the permanent improvement of the conditions of warehousing and disposal of surplus stocks of cereals. As, however, it is certain that no solution will be arrived at before the 1931 harvest, the Committee has requested the International Institute of Agriculture to investigate the possibilities of setting up a provisional organisation to enable agricultural countries to finance their next harvest.

#### VII.

The Committee has noted the efforts made to improve the conditions of the international transport of cereals, directed, on the one hand, towards a reduction of rates for the carriage of cereals over certain important routes and, on the other, towards the introduction of a negotiable waybill for international transports, which would give greater facilities for credit and for the disposal of cereals in the course of despatch.

The Committee took note of the work done in this sphere by the Communications and Transit Organisation of the League of Nations. It hopes that the coming revision of the International Convention on Traffic of Goods by Rail will afford an opportunity for taking account of the legitimate interests of the international trade in cereals.

#### VIII.

The Committee considers that whatever solutions may be adopted with a view to an improvement in the disposal of cereals, such solutions, if they entail a preference, must be subject to the rules set forth in the preceding paragraphs.

#### IX.

Finally, the Committee is of opinion that a very definite advance has been made in the direction of practical measures in the course of the last few months. It regards this as a happy augury of the success of the undertaking which it has at heart and it has no doubt that the continuation of persevering efforts will shortly bring about a real improvement in the agricultural countries of Central and Eastern Europe, thus contributing to alleviate the distress from which the whole of the European economic structure is suffering.

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*Series of Publications:* 1931.VII.II.

*Official No.:* C.437.M.184.1931.VII.  
[C.E.U.E.43.]

#### ANNEX 5.

### REPORT OF THE UNEMPLOYMENT COMMITTEE.

(Geneva, July 1st and 2nd, 1931.)

The Unemployment Committee, which was appointed by the Commission of Enquiry for European Union, met on July 1st and 2nd, 1931, at the International Labour Office, Geneva. The following delegates were present:

1. *Delegates appointed by the European Commission:*

<i>Germany:</i>	Dr. Oscar WEIGERT (assisted by Mme. Margarete EHLERF).
<i>Austria:</i>	M. Karl FORCHHEIMER.
<i>Denmark:</i>	M. Kristian ERIKSEN.
<i>Great Britain:</i>	Mr. James Alan BARLOW.
<i>Czechoslovakia:</i>	M. Zdenek FIERLINGER (assisted by Dr. Eugène STERN).
<i>Yugoslavia:</i>	M. Douchan YEREMITCH.

2. *Delegates appointed by the Governing Body of the International Labour Office:*

*Government Group:*

M. G. DE MICHELIS (Italy).  
M. Jean ROSNER (Poland), substitute for M. F. SOKAL.

*Employers' Group:*

M. Gino OLIVETTI (Italy).  
M. Hans VOGEL (Germany).

*Workers' Group:*

M. L. JOUHAUX (France).  
M. Ch. SCHÜRCH (Switzerland).

3. M. Ch. PICQUENARD (France), who had been invited as the result of a decision of the Governing Body of the International Labour Office to place before the Committee the point of view of France as a country of immigration.

The Committee elected M. DE MICHELIS as Chairman. It held two plenary sittings on July 1st, and set up three Sub-Committees to deal respectively with the following points:

1. Placing Work.
2. Public Works.
3. Co-operation of the factors of production.

At a plenary sitting held on July 2nd, the Committee adopted, in the following form, the draft resolutions presented by the Sub-Committees:

#### I. PLACING WORK.

" The Unemployment Committee:

" In view of the necessity of favouring an international migration of workers which might balance in Europe as exactly and rapidly as possible the supply of, and demand for, labour, in so far as this cannot be done within the countries concerned;

" Recommends the development of the policy of bilateral agreements already adopted by several European countries for organising the migration of workers, and in particular for recruiting workers in one country for employment in another and also for ensuring to the workers thus recruited equality of treatment with nationals, together with suitable employment and living conditions;

" And requests the Commission of Enquiry for European Union to submit to the Council of the League of Nations the following proposals:

" 1. That a technical placing Conference should be convened by the International Labour Office in the near future;

" 2. That Governments should be asked to send experts on placing as delegates to this Conference. The Governing Body of the International Labour Office should also be invited to send to the Conference as delegates representatives of the Employers' Group and of the Workers' Group of the Governing Body;

" 3. That, as the object of the Conference will be to investigate the means of co-ordinating the national placing services on a European scale, its agenda should be as follows:

" (a) The organisation of a permanent exchange of information on the state of the labour market and the creation of the necessary international bodies;

" (b) The means of facilitating bilateral relations between the various national placing systems for the actual transference of labour from one country to another;

" (c) A comparison of the methods of placing in force in the various countries.

" 4. That a temporary secretariat (composed of a member of section, a clerk and a shorthand-typist) should be set up at the International Labour Office to prepare for the Conference."

#### II. PUBLIC WORKS.

" The Unemployment Committee:

" Has taken note of the schemes for public works communicated to the International Labour Office by several Governments.

" It observes that these schemes, taken as a whole, are capable of providing employment for a large number of workers, not only in the actual execution of the works, but also by securing orders for numerous industries.

" It thinks that the execution of such schemes would offer a valuable channel for the use of capital now lying idle, and so contribute to a diminution of unemployment and to a general business recovery.

" The Committee considers that a policy of co-operation in public works would contribute to the harmonious development of the economic resources of Europe, and would take continuous account of the situation in the labour market, with a view to making employment more stable.



“ It therefore requests the Credit Problems Committee to investigate at once the means of securing the permanent international co-operation required for the execution of any works recognised as furthering the economic development of Europe and to promote for this purpose a policy of long-term credits which may inspire the confidence indispensable to lenders and secure favourable conditions to borrowers. ”

### III. CO-OPERATION OF THE FACTORS OF PRODUCTION.

“ The Unemployment Committee was also instructed to study the proposal made by the International Institute of Agriculture for a better use of all the elements of production.

“ It considers that the economic equilibrium of Europe would be better re-established if the surplus population which it cannot make use of could be employed for the exploitation of territories which are in a position to absorb it to good purpose. This would give free play and lend vitality to the forces which make for the economic development of the world.

“ But the problem of the transfer of the surplus active population is closely related to the search for territories which are suitable for the rational settlement of groups of human beings, economically equipped for the purpose, for land development, the exploitation of the soil, the development of commerce and industry arising therefrom, and also for increasing the purchasing power of the native populations and the constitution of fresh markets for the production, not only of Europe, but of the whole world.

“ Such a programme, which must depend upon international co-operation, requires the support of capital and of credits. This involves the adoption of the international policy of credits which has been proposed for other forms of economic development.

“ The Committee has given its general approval to the programme referred to in the first paragraph above. Since a more exhaustive enquiry with a view to putting this programme into operation must necessarily extend beyond Europe, it suggests that the Commission of Enquiry for European Union should propose to the Council of the League of Nations that the matter be referred for study to its competent bodies, with a view to the adoption of practical steps. For these studies it would be desirable to invite the help of the International Labour Office and the International Institute of Agriculture. ”

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Official No.: C.501.M.209.1931.VII.  
[C.E.U.E.46.]

### ANNEX 6.

## ESTABLISHMENT OF AN INTERNATIONAL ORGANISATION FOR SHORT-TERM AGRICULTURAL CREDIT.

In the report which it adopted on May 21st, 1931, the Commission of Enquiry for European Union stated that it had “ considered with interest the communication from the International Institute of Agriculture regarding the establishment of an international organisation for short-term agricultural credit ”. It expressed the desire “ to be kept informed of the progress of future work on this question ”.

The Secretary-General has the honour to communicate to the members of the Commission of Enquiry for European Union a letter and memorandum relating to this question which he has received from the President of the International Institute of Agriculture.

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### I. LETTER FROM THE PRESIDENT OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE.

Rome, August 18th, 1931.

In my letter of July 29th, N.93696, I had the honour to inform you that a meeting convened by the International Institute of Agriculture would be held on August 12th for the purpose of studying the establishment of an *international organisation for short-term agricultural credit*. The meeting had to examine the schemes prepared by the Institute, in order that it might be in a position to submit concrete results at the next session of the Commission of Enquiry for European Union to be held in Geneva during the present month.

Naturally, I also invited you to send a representative from the Secretariat.

I now have the honour to inform you that this meeting took place on August 12th and 13th, and was attended by the official representatives of eighteen States. Two other States sent

observers. In compliance with our request, the Secretariat of the League of Nations appointed M. Charles Henri BOISSARD, member of the Financial Section, to attend this meeting, and I desire here to express my deep personal appreciation, as well as that of the Institute, of this proof of your interest and practical co-operation.

The International Labour Office was also represented.

The result of the most interesting discussions which took place during the two days in question will be found in the *Protocol* of the meeting, and in the drafts of the *Statutes, International Convention, and Constituent Act*, of which I have the honour to enclose copies<sup>1</sup>, corrected in accordance with the results of the discussions of the last meeting of the session. I would add that the draft Statutes, Convention and Constituent Act were prepared by the staff of the Institute and submitted, as a preliminary measure, to a meeting of special experts, thoroughly familiar with the requirements of agriculture and the working of agricultural associations and co-operatives in the matter of short-term credit. This meeting took place at the Institute on July 27th and 28th.

From a perusal of these documents, a summary of which I enclose<sup>1</sup>, you will see clearly, since they speak for themselves, to what extent the Institute has succeeded in carrying out the desires expressed in this connection by the Commission of Enquiry for European Union and also by the International Wheat Conference held at Rome in March last at the instance of the Institute.

The solution of one part of this question of agricultural credit, which our organisation has studied and investigated for many years, is thus to be found in short-term credit, just as the solution of another part of the question has been found, owing to the efforts of the League of Nations, in long- and medium-term credit.

I should be particularly grateful if you would be good enough to communicate the above information to the Commission of Enquiry for European Union and draw special attention to the fact that the Institute, desirous of bringing its work to as practical and as speedy a conclusion as possible, will convene in November a general meeting of official representatives of the Governments concerned and of representatives appointed by the banks and credit institutions. The object of this meeting will be to give final approval to and to sign the draft Convention and Statutes, as well as the Constituent Act, prepared at the meeting which has just taken place.

As you will see, the Institute and the members of that meeting were particularly desirous of indicating how much importance they attach to effective co-operation with the League of Nations, and have consequently provided that one of the members of the Governing Body of the proposed bank shall be appointed by the Council of the League.

In bringing the above information to your notice and communicating the enclosed documents we desire to give expression to our determination to do our best, in co-operation with the Geneva organisations, to give effect to the wish expressed at a number of international meetings, in particular by the Commission of Enquiry for European Union, that agriculture should be assisted in every way possible.

I need not say that the Institute trusts it can count, in the future as in the past, on the friendly co-operation of the League of Nations in the work already started.

(Signed) DE MICHELIS,  
President.

## 2. MEMORANDUM RELATING TO THE INTERNATIONAL AGRICULTURAL CREDIT BANK.

One of the questions which raised most interest at the Preparatory Conference of the Second World Wheat Conference was that of agricultural credit. Distinguished representatives of the delegations of various countries belonging to both eastern and western Europe urged the need, in the existing circumstances, for making provision—side by side with the medium- and long-term credit to be provided by the new institution established under the auspices of the League of Nations—for short-term credit, which, in view of the cereal crisis, would appear to have an important, specific function to perform in re-establishing the economic and commercial equilibrium of agricultural undertakings and facilitating their operations.

The resolution on agricultural credit adopted by the Conference concluded by requesting the International Institute of Agriculture to continue its studies relating to agricultural credit, and to help to organise short-term agricultural credit.

Consequently, the Institute has lost no time in taking steps towards establishing an international organisation for short-term agricultural credit, which would be started under its auspices and would complement the work of the "International Agricultural Mortgage Credit Bank" just established at Geneva under the auspices of the League of Nations.

In May 1931, the International Institute of Agriculture, bearing in mind the desires which had been expressed, informed the Commission of Enquiry for European Union of the steps taken towards the creation of an international banking organisation for the purpose of granting

<sup>1</sup> The Protocol of the Rome meeting of August 12th and 13th, 1931, and the draft Statutes, International Convention and Constituent Act have been sent direct by the International Institute of Agriculture to the Governments represented on the Commission of Enquiry for European Union.

short-term agricultural credit. The Sub-Committee of the Commission of Enquiry for European Union considered this proposal with interest, and expressed the desire to be kept informed of the progress of future work on this question. It also expressed the opinion that that work would be facilitated by the co-operation of the financial and economic organisations of the League of Nations.

The International Institute of Agriculture further considered it necessary to convene a technical advisory committee at Rome on July 27th and 28th, to which it submitted the preliminary draft statutes of the new bank. The discussions enabled the International Institute of Agriculture to make certain modifications, and the draft statutes as modified were submitted for examination to a meeting of representatives of Governments and banks which took place on August 12th and 13th at the offices of the International Institute of Agriculture.

The following countries sent representatives to the meeting held at Rome on August 12th and 13th: Belgium, Bulgaria, Denmark, Spain, France, Greece, Hungary, Italy, Latvia, Poland, Portugal, Roumania, Sweden, Switzerland, Czechoslovakia, Turkey, the Union of Soviet Socialist Republics and Yugoslavia. Germany and the Netherlands sent observers. The Secretariat of the League of Nations and the International Labour Office were also represented by observers. The representatives of the Governments and credit institutions present at the meeting examined the Draft Constituent Act, Convention and Statutes for the International Agricultural Credit Bank prepared by the International Institute of Agriculture. They made certain modifications which they considered necessary, and, in the Protocol signed at the end of the meeting, they approved the steps which the International Institute of Agriculture had taken in regard to short-term agricultural credit.

In view of its main function as a short-term credit institution, the International Agricultural Credit Bank is conceived as an institution whose sole object would be to discount bills presented by national credit institutions. These bills would be based on loans to agriculturists or their organisations providing all the guarantees required by the Bank in conformity with the laws and customs of each country. The bills should bear the signature of the principal borrower and of the national credit institution approved by the Bank; the signature of regional or local institutions being further required when the loans were granted through them.

As the credits would be strictly short-term credits, their normal duration would be from three to nine months, but the period might be prolonged up to a maximum of twelve months by the Executive Committee of the Bank.

The Bank should be established by an agreement between the credit institutions of the countries concerned in its establishment, who would undertake to subscribe the shares. The Governments of these countries should undertake, in a convention, to give the new Bank all possible legal and fiscal facilities.

The Bank will be organised as a joint-stock company with an initial capital fixed at 15 million Swiss gold francs, divided into shares of 1,000 francs.

The shares will be registered stock and will be issued in all countries which authorise subscription. They will be reserved for the credit institutions of these countries and international credit institutions.

The Bank will obtain the necessary funds for its transactions:

- (a) By the issue of short-term interest-bearing bonds (*bons de caisse*) up to a maximum amount of ten times its capital;
- (b) By deposits from banks and public institutions; and,
- (c) By discounting its bills with other banks.

The Bank will be administered by a Board composed of twelve members, of whom four shall be appointed by the Permanent Committee of the International Institute of Agriculture, the Council of the League of Nations, the Board of the Bank for International Settlements, and the Board of the International Agricultural Mortgage Credit Bank respectively; and seven by the General Assembly from among the heads or representatives of agricultural credit institutions, or from among persons with special competence in banking and credit operations. One member will be appointed by the members appointed by the four international organisations mentioned above. The President and Vice-President will be appointed by the Board and will be selected from among its members.

The management of the Bank's current business will be entrusted to an Executive Committee of five members appointed by the Board, two of whom shall be the President and Vice-President of the Bank.

Official No C.503.M.210.1931.VII.

[C.E.U.E.47.]

#### ANNEX 7.

### PREFERENTIAL CUSTOMS DUTIES ON THE IMPORTATION OF ROUMANIAN BARLEY FODDER AND MAIZE INTO GERMANY.

*Note by the Secretary-General:*

The Secretary-General has the honour to communicate to the Members of the Commission of Enquiry for European Union two letters dated August 21st which he has received from the German and Roumanian Governments respectively, together with two annexes (A and B)<sup>1</sup> supplied to the

<sup>1</sup> Not reproduced here.

Secretariat by the German Government. The second annex (B)<sup>1</sup> is in German and Roumanian and additional copies are at the disposal of the delegations.

At the request of the two Governments, these documents will be examined by the Economic Co-ordination Sub-Committee.

## I. LETTER FROM THE GERMAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[*Translation supplied  
by German Government.*]

Berlin, August 21st, 1931.

On June 27th, 1931, the German and the Royal Roumanian Governments signed at Geneva a Commercial and Shipping Treaty which, as regards the importation into Germany of Roumanian barley as animal fodder (the use of which is controlled by the Customs Authorities) and of Roumanian maize provides for preferential rates of Customs duty, amounting, in the case of the barley, to 50 per cent, and, in the case of maize, to 40 per cent of the respective tariff rates in operation at any given time. The procedure to be adopted in connection with these preferential duties has been determined by a Special Protocol of which I have pleasure in enclosing a copy (see Appendix).

In agreeing upon these preferential duties, the German and Roumanian Governments follow the principles laid down in respect of such preferences at the various international conferences held at Geneva under the auspices of the League of Nations. In this connection, I should like to point out, in particular, that, in the Special Protocol, the Royal Roumanian Government has undertaken to see that the preferential duties granted by Germany shall, in any calendar year, not be applied to quantities exceeding the normal importation of these products from Roumania into Germany in the past. The rule laid down internationally, according to which preferential duties shall only be a temporary exceptional measure and shall not remain in force any longer than the agricultural crisis in the countries of south-eastern Europe lasts, finds its expression in the fact that the German-Roumanian Commercial Treaty has been concluded for a period of two years only, and can, thereafter, be denounced with three months' notice. Finally, it is in accordance with the principles mentioned that all tariff consolidations and tariff reductions conceded by the Royal Roumanian Government are subject to the most-favoured-nation clause. The extent of these tariff consolidations and tariff reductions is shown in Annex B.<sup>1</sup>

In accordance with the principles laid down at Geneva, the German and the Royal Roumanian Governments are of opinion that these preferential duties can become operative as a temporary exception to the most-favoured-nation treatment only on condition that the most favoured nations shall approve of such a measure. In order to obtain such an approval on the part of the European countries concerned, the German and the Royal Roumanian Government propose to submit the matter to the Co-ordination Sub-Committee, appointed by the Commission of Enquiry for European Union, at the meeting of the Sub-Committee which begins on August 31st, 1931.

I shall feel obliged if you will kindly transmit the above communications to the Governments of the States represented on the Commission of Enquiry for European Union, and have the matter entered on the agenda of the next meeting of the Co-ordination Sub-Committee.

(Signed) CURTIUS.

## II. LETTER FROM THE ROUMANIAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[*Translation.*]

Bucharest, August 21st, 1931.

The Royal Roumanian Government and the German Government signed at Geneva on June 27th, 1931, a Convention of Commerce and Navigation containing preferential Customs duties for the importation into Germany of Roumanian fodder barley and maize—namely, for barley 50 per cent and for maize 40 per cent of the general Customs duties currently in force. There is a Special Protocol regulating the collection of these duties.

In agreeing upon these preferential Customs duties, the Roumanian and German Governments adopted as their basis the principle laid down in this matter by the various international conferences held under the auspices of the League of Nations. In this connection, I should like to point out that, by the terms of the Special Protocol, the Royal Roumanian Government undertakes to see every year that the preferential duties granted by Germany are not applied to quantities exceeding the normal imports of these Roumanian products into Germany in recent years.

The established international principle whereby preferential Customs tariffs constitute only a temporary exception, limited to the duration of the agricultural crisis in the countries of

<sup>1</sup> Not reproduced.

South-Eastern Europe, is duly observed, inasmuch as the Roumanian-German Commercial Convention is concluded for a period of two years, after which it may be denounced at three months' notice. Lastly, it is provided, also in accordance with the above-mentioned principles, that the Customs consolidations and reductions granted by the Roumanian Government in the Convention of Commerce will be subject to the most-favoured-nation regime. These various consolidations and reductions of Customs duties are shown in Annex B.<sup>1</sup>

The Royal Roumanian Government and the German Government, in conformity with the principles laid down at Geneva, consider that these preferential Customs duties cannot take effect without the consent of the countries to which the most-favoured-nation clause applies, and that they constitute a temporary exception to that clause.

With a view to obtaining the consent of the European countries concerned, the two Governments intend to submit the question to the Co-ordination Sub-Committee set up by the Commission of Enquiry for European Union at its session opening on August 31st, 1931.

I should be grateful if you would transmit this communication to the Governments of the countries represented on the Commission of Enquiry for European Union, and if you would arrange for the question to be placed on the agenda of the next session of the Co-ordination Sub-Committee.

(Signed) D. J. GHICA,  
Minister of Foreign Affairs.

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#### Appendix.

[Translation supplied by German Government.]

#### SPECIAL PROTOCOL TO ANNEX A OF THE GERMAN-ROUMANIAN COMMERCIAL TREATY, REGARDING THE APPLICATION OF PREFERENTIAL TREATMENT.

The German Government reserve the right to extend the preferential concessions regarding the importation of maize and barley as animal fodder into Germany, as granted to the Roumanian Government by the present treaty, also to Bulgaria, Yugoslavia and Hungary.

It is understood that any further advantages that may be granted by Germany to the above-named countries for these products shall likewise be extended to Roumania. Germany will not grant any preferential concessions regarding maize and barley as animal fodder to any other countries than Bulgaria, Yugoslavia and Hungary.

If the German Government increases the import duties on maize or barley as animal fodder, or alters temporarily the existing regime for these products, or raises the monopoly sales prices of the various kinds of maize as against the average prices ruling in 1931, and if the Roumanian Government considers that the sales of Roumanian barley as animal fodder and of Roumanian maize in Germany would be interfered with by such a measure, the Roumanian Government shall be entitled to demand immediate negotiations for the purpose of bringing about an adjustment. If such negotiations do not take place, or if they do not lead to agreement within one month from the date on which the demand of the Roumanian Government reaches the German Government, the Roumanian Government shall be entitled to denounce prematurely the present treaty by giving not less than one month's notice.

The German Government undertake to see that the German Maize Office (*Reichsmaisstelle*), in acquiring imported maize, shall not treat Roumanian maize less favourably than maize from other countries of origin.

If, and so far as, the German Maize Office, under the powers given to them by Section 3 of the German Maize Act (*Reichsmaisgesetz*) of March 26th, 1930, buys and imports maize from abroad exclusively or in a considerable quantity (*i.e.*, in any calendar year more than 5 per cent of the imports in the preceding year), the German Maize Office shall be bound to see that the Roumanian share therein shall not be less favourable for Roumania than the Roumanian share of the total German maize imports in the years 1925 to 1928. The German Maize Office shall purchase in Roumania the quantity of maize which, in this way, represents Roumania's share. This rule shall not apply to purchases of maize up to 5 per cent of the Roumanian share of the total German maize imports as averaged during the years 1925 to 1928, if, for technical or commercial reasons, the maize cannot be purchased in Roumania. The German Maize Office shall, in every case, notify the Roumanian Government of any purchases of maize in Roumania and shall, as far as possible, respect any wishes and suggestions expressed by the Roumanian Government. In the case of such purchases, consideration shall be given to the preferential treatment of maize as agreed upon in the present treaty.

Should, in consequence of measures taken by the German Maize Office, the imports of Roumanian maize into Germany, according to German official statistics, drop during the first year after the signing of the present treaty by more than 15 per cent below the average of the years 1925 to 1928, the Roumanian Government shall be entitled to the same rights as provided by Section 2 hereof.

Under the rules laid down in the Annex to the "Final Act" of the Second International Conference with a view to Concerted Economic Action (League of Nations official document A.E.C.17(1), dated November 28th, 1930), the Roumanian Government shall be bound to see that the preferential duties on Roumanian maize and Roumanian barley as animal fodder, as conceded

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<sup>1</sup> Not reproduced.

by Germany, shall, in any calendar year, not be applied to quantities exceeding the normal quantities of these Roumanian products that have previously been imported into Germany. On request, both Governments are willing to render each other at any time information regarding the quantities of these Roumanian products imported into Germany.

The Customs Authorities of the contracting parties shall, if necessary, agree on measures calculated to prevent any abuse of the preferential treatment of Roumanian maize and Roumanian barley as animal fodder, as agreed upon in the present treaty, to the detriment of one or both contracting parties.

DONE at Geneva in duplicate, June 27th, 1930.

(Signed) POSSE,  
Cezar POPESCU.

Official No C.507.M.213.1931.VII.  
[C.E.U.E.49.]

ANNEX 8.

PREFERENTIAL CUSTOMS DUTY ON WHEAT OF HUNGARIAN ORIGIN  
IMPORTED INTO GERMANY.

*Note by the Secretary-General:*

The Secretary-General has the honour to communicate to members of the Commission of Enquiry for European Union two letters with annexes (A and B)<sup>1</sup>, dated August 24th, which he has received from the German and Hungarian Governments respectively. The second annex (B)<sup>1</sup> referred to in the letters will be circulated in due course in German as soon as copies are received at the Secretariat.

At the request of the two Governments, these documents are submitted for examination to the Economic Co-ordination Sub-Committee.

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

[Translation supplied  
by German Government.]

Berlin, August 24th, 1931.

The German and the Royal Hungarian Governments have, on July 18th, 1931, signed a Commercial Treaty which, as regards the importation into Germany of Hungarian wheat, provides for a preferential rate of duty amounting to 75 per cent of the general tariff rate in operation at any given time. The preferential duty does not apply to wheat imported for the manufacture of wheat starch nor to hard wheat imported for the manufacture of hard wheat semolina, the manufacture in both cases being controlled by the Customs authorities. The procedure to be adopted in connection with this preferential tariff is determined by certain provisions of the Final Protocol to the Commercial Treaty, of which I have pleasure in enclosing a copy.

In agreeing upon the preferential tariff, the German and the Royal Hungarian Governments followed the principles laid down in connection with such preferences at the various international conferences held at Geneva under the auspices of the League of Nations. In this connection, I should like to point out, in particular, that under the provisions of the Final Protocol, of which a copy has been enclosed, the Royal Hungarian Government undertakes to see to it that, in any calendar year, the preferential duty on wheat granted by Germany shall not be applied to quantities exceeding the Hungarian requirements as to the exportation of wheat into Germany on the basis of the present wheat areas under cultivation in Hungary. The rule laid down internationally, according to which preferential duties are only to be a temporary exception and shall not remain in force any longer than the agricultural crisis in the countries of South-Eastern Europe is going to last, finds its expression in the fact that the German-Hungarian Commercial Treaty has been concluded for a period of two years only, and can, thereafter, be denounced with three months' notice. Finally, it is in accordance with the principles mentioned that all tariff consolidations and tariff reductions conceded by the Royal Hungarian Government in this Commercial Treaty, partly in return for the preferential duty granted by Germany, are subject to the most-favoured-nation clause. The extent of these tariff consolidations and tariff reductions is shown in Annex B.<sup>1</sup>

In accordance with the principles laid down at Geneva, the German and the Royal Hungarian Governments are of opinion that the preferential duty can only become operative as a temporary exception to the most-favoured-nation treatment if the most favoured nations agree to such a measure. In order to bring about such an agreement on the part of the European countries

<sup>1</sup> Not reproduced.



concerned, the German and the Royal Hungarian Governments propose to submit the matter to the Co-ordination Sub-Committee appointed by the Commission of Enquiry for European Union, at the meeting of the Committee which begins on August 31st, 1931.

I shall feel obliged, if you will kindly transmit the above communications to the Governments of the States represented on the Commission of Enquiry for European Union, and have the matter entered on the agenda of the next meeting of the Co-ordination Sub-Committee.

(Signed) CURTIUS.

## II. LETTER FROM THE HUNGARIAN GOVERNMENT TO THE SECRETARY-GENERAL OF THE LEAGUE OF NATIONS.

[*Translation.*]

Budapest, August 24th, 1931.

On July 18th, 1931, a commercial treaty between Hungary and Germany was signed at Geneva, providing for a preferential Customs duty on wheat of Hungarian origin imported into Germany. The extent of the preference is 25 per cent off the general rate. The procedure for the application of this preferential duty is laid down by the Final Protocol of the Treaty, of which the relevant text is attached (see Appendix).

In coming to an agreement, on the above mentioned preference, the Hungarian and German Governments have taken as a basis the principles laid down in the course of a number of conferences held under the auspices of the League of Nations. As is made clear in Annex A, the preferential duty will apply only to quantities of wheat corresponding to the amount Hungary requires to export to Germany on the basis of existing Hungarian areas under cultivation.

The Treaty has been concluded for two years, and may be denounced after the expiry of these two years on three months' notice being given. The principle that a preference may only be granted exceptionally and for the duration of the existing agricultural crisis in the States of Eastern and Southern Europe is thereby safeguarded.

The other fundamental rule, whereby the preference must be unilateral, has likewise been respected. The reductions and consolidations of Customs duties granted by Hungary in compensation for the preferential duty on her wheat are covered by the most-favoured-nation clause. The list of Hungarian concessions is attached (Annex B<sup>1</sup>).

The Royal Hungarian Government and the German Government are in complete agreement that the preference in question may only be put into force as a temporary derogation to the most-favoured-nation clause with the previous consent of all nations enjoying the advantages of this clause.

It is for this reason that they have decided to submit this question to the Economic Co-ordination Sub-Committee, set up by the Commission of Enquiry for European Union, at its next session, summoned for August 31st, in order to obtain the approval of the Governments represented thereon.

I therefore take the liberty of asking you to have this question put on the agenda of the next meeting of the Economic Co-ordination Sub-Committee.

For the Minister:

(Signed) KHUEN-HÉDERVÁRY,

*Envoy Extraordinary and  
Minister Plenipotentiary.*

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### Appendix

#### EXTRACT FROM THE FINAL PROTOCOL TO THE GERMAN-HUNGARIAN COMMERCIAL TREATY OF JULY 18TH, 1931.

[*Translation supplied  
by German Government.*]

Ad Annex A, re *Tariff item No. 2*:

The preferential duty for wheat as agreed upon does not apply to the tariff rates provided for in the notes 1 and 2 of tariff item No. 2 of the German Tariff.

The German Government reserve the right to grant the preferential duty on wheat to Bulgaria, Yugoslavia and Roumania as well. Any further privileges granted by Germany to the above mentioned countries with regard to wheat shall, at the same time, be participated in by Hungary. Germany will not grant a preferential duty on wheat to any other countries except Bulgaria, Yugoslavia and Roumania.

Under the rules contained in the annex to the Final Act of the Second International Conference with a view to Concerted Economic Action (League of Nations official document A.E.C.17(I),

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<sup>1</sup> Not reproduced.

of November 28th, 1930) the Hungarian Government is bound to see to it that in any calendar year the preferential duty on wheat granted by Germany shall not be applied to quantities exceeding the Hungarian requirements as to the importation of wheat into Germany on the basis of the present wheat areas under cultivation in Hungary.

The Customs Authorities of the contracting parties will, if necessary, agree on measures calculated to prevent any abuse to the detriment of both, or of one, of the contracting countries of the preferential treatment as agreed upon in the present treaty with regard to Hungarian wheat.

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*Series of Publications:* 1931.VII.12.

*Official No.:* C.486.M.207.1931.VII.

[C.E.U.E.44.]

#### ANNEX 9.

### POSITION OF GREEK AGRICULTURAL PRODUCTION.

*Note by the Secretary-General:*

The Secretary-General has the honour to transmit to the members of the Commission of Enquiry for European Union a memorandum which was communicated to him by the Greek Government and which contains a general review of the position of Greek agricultural production.

This document was prepared in accordance with a resolution adopted by the Commission at its session in May (document C.395.M.158.1931.VII, page 192, No. 7, paragraph 5) concerning the inclusion in the Co-ordination Sub-Committee's agenda of the question of the extension of special facilities to agricultural products other than grain.

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#### MEMORANDUM FROM THE GREEK GOVERNMENT.

[*Translation.*]

It was not without very weighty reasons that the Vice-President of the Council and Minister for Foreign Affairs of Greece, at the third session of the Committee of Enquiry for European Union, urged that the special facilities, the grant of which is under consideration in the case of Central European cereals, should be extended to agricultural products other than cereals.

The accession to the Greek proposal of a number of other equally interested delegations affords further proof that the proposal deserves the attention of the Committee at least as much as the applications of the cereal-producing countries of Central and Eastern Europe.

The agricultural depression from which Greece and other countries with similar products are suffering is not one whit less serious than the depression prevailing in cereal-producing countries.

A picture of the agricultural crisis in Greece may be found in the memorandum by M. Caramanos, Director-General at the Ministry of Agriculture, which is contained in the volume on the agricultural crisis recently published by the Secretariat (document C.239.M.105.1931.II.(B)).

After giving an account of the general phenomena of economic distress to be met with in Greece, as elsewhere in Europe, the memorandum enumerates special circumstances arising out of the settlement of the refugees, which, added to the other difficulties, have seriously aggravated the agricultural crisis.

It should be borne in mind that the agricultural population of Greece amounts to 65 per cent of the total population.

The principal symptoms of the crisis are, first, the fall in prices and, secondly, the decline in exports. The former development is to a great extent a result of the latter. The export market, for reasons which need not be given here, has to cope with prices which are much below the cost price of exported products. The producer is consequently faced with the following dilemma: either he must continue to produce for export with the certainty of not earning even the cost of production, or he must turn his attention to the home market. But the home market is glutted with surpluses. Hence the collapse in prices.

M. Caramanos, in his memorandum, gives a table showing the decline in the export of the principal Greek agricultural products (tobacco, oil, wine, raisins, etc.). Below will be found tables

showing the difference between the cost price of these products and the sale price they are fetching at present.

### I. TOBACCO.

The tobacco production in Greece is of immense importance. As already stated, agriculture accounts for 65 per cent of the Greek population. Tobacco-growing alone accounts for 14.5 per cent—*i.e.*, for 900,000 persons, or about one-seventh of the total population.

In values, the proportion of the tobacco exported in relation to the total volume of exports is even greater. In 1929, it amounted to 56.52 per cent (3,948,553,000 drachmæ out of a total of 6,985,196,000 drachmæ), and in 1930 to 57.15 per cent (3,382,003,000 drachmæ out of a total of 5,917,846,000 drachmæ).

M. Caramanos gives in his memorandum the quantities of tobacco exported in 1929 and 1930 (reduction of 1.7 per cent) and the values in the same years (reduction of 12.8 per cent).

New figures are now available for the 1930 harvest and its marketing between September 1st, 1930, and May 31st, 1931. This period may be taken as virtually the equivalent of a year, since it includes the months during which the best part of the trade takes place; in the three months of the dead season there is little hope of any increase in the total sale figures.

As compared with 50,055 tons exported in 1929 at 78,880 drachmæ per ton, and 49,195 tons exported in 1930 at 68,750 drachmæ per ton, only 37,540 tons were sold during the period September 1st, 1930, to May 31st, 1931, with a total value of 991,200,000 drachmæ (26,400 drachmæ per ton), which represents a further reduction of 23.7 per cent in the quantities and 61.6 per cent in the prices.

As regards the quantities, there may be a chance (though, as stated, it is only a slight one) of an improvement in the months June-July-September 1931; but the position in regard to prices is bound to grow worse, since, in the first place, the best qualities have already been sold, and, in the second place, the fall in prices is always more marked at the close of the season.

As stated, the sale price of tobacco shows an average fall from 78.88 drachmæ per kilogramme in 1929 and 68.75 drachmæ in 1930 to 26.40 drachmæ. This figure is averaged on the prices of different qualities graded in seven classes as in the following table (which also shows the quantities and values per class of tobacco sold between September 1st, 1930, and May 31st, 1931):

Class of tobacco	Quantity Kilogrammes	Value Drachmæ	Average sale price per kilogramme Drachmæ
I. Thrace . . . . .	3,700,000	126,550,000	34.20
II. Eastern Macedonia . . . . .	11,635,000	407,560,000	35.—
III. Central and Western Macedonia . . . . .	5,670,000	126,630,000	22.35
IV. Thessaly and Phthiotis . . . . .	5,800,000	97,880,000	16.85
V. Ætolia, Acarnania and Epirus . . . . .	4,810,000	126,180,000	26.25
VI. Attica and the Islands . . . . .	4,515,000	95,550,000	21.15
VII. Peloponnese . . . . .	1,410,000	10,850,000	7.70
Total . . . . .	37,540,000	991,200,000	26.40

The following table shows the items which constitute the cost price of high-grade tobacco from Eastern Macedonia:

<i>Cost of Production per Deciare.</i>		Drachmæ
Labour . . . . .		400
Cost of planting . . . . .		280
Watering . . . . .		125
Cost of sowing . . . . .		375
Cost of weeding (five women's wages) . . . . .		150
Cost of harvesting (twelve men's wages) . . . . .		600
Cost of treatment . . . . .		800
Fertilisers . . . . .		200
Drying . . . . .		75
Insurance against hail . . . . .		75
Insurance against fire and interest on working capital . . . . .		400
Interest on fixed capital . . . . .		400
Overhead costs and unforeseen expenditure . . . . .		120
Total . . . . .		4,000

The average yield per deciare in this district is 75 kilogrammes, so that the cost per kilogramme works out at 53.35 drachmæ, or 18.35 drachmæ more than the sale price.

It is the same with the other classes of tobacco, as will be seen from the following table:

Class of tobacco (see above)	Average cost of production per deciare Drachmæ	Average yield per deciare Kilogrammes	Average cost of production per kilogramme Drachmæ	Average sale price per kilogramme Drachmæ	Difference between cost of production and sale price Drachmæ
I . . . . .	3,500	70	50.—	34.20	—15.80
II . . . . .	4,000	75	53.35	35.—	—18.35
III . . . . .	2,000	85	23.55	22.35	— 1.20
IV . . . . .	1,250	80	15.65	16.85	+ 1.20
V . . . . .	2,500	80	31.25	26.25	— 5.—
VI . . . . .	1,250	75	16.65	21.15	+ 4.50
VII . . . . .	750	100	7.50	7.70	+ 0.20

There is no possibility of cutting down the cost of production, as a glance at the figures of the wages paid will show.

Fifty drachmæ (3.35 gold francs) per man per day and 30 drachmæ (2 gold francs) per woman—such are the wages in Macedonia, where the cost of production per deciare is 4,000 drachmæ. In other districts, where the cost of production is much less, as the preceding table shows (3,500 drachmæ in Thrace; 2,500 drachmæ in Ætolia, Acarnania and Epirus; 2,000 drachmæ in Central and Western Macedonia; 1,250 drachmæ in Thessaly, Phthiotis, Attica and the Islands; 750 drachmæ in the Peloponesus), wages are very much less.

The total loss occasioned by selling below the cost of production during the period under consideration is shown in the following table:

Class of tobacco (see above)	Quantity sold Kilogrammes	Loss (—) or profit (+) per kilogramme Drachmæ	Total loss (—) or profit (+) Drachmæ
I . . . . .	3,700,000	—15.80	— 58,460,000
II . . . . .	11,635,000	—18.35	—213,502,000
III . . . . .	5,670,000	— 1.20	— 6,804,000
IV . . . . .	5,800,000	+ 1.20	+ 6,960,000
V . . . . .	4,810,000	— 5.—	— 24,050,000
VI . . . . .	4,515,000	+ 4.50	+ 20,317,000
VII . . . . .	1,410,000	+ 0.20	+ 282,000

This amounts to a total difference of 275,256,750 drachmæ, or some 18,500,000 gold francs.

## II. OIL.

### Cost of Production per Deciare.

Cost of cultivation . . . . .	Drachmæ 60
Cost of pruning . . . . .	50
Cost of harvesting and pressing . . . . .	150
Fertilisers . . . . .	75
Various taxation . . . . .	50
Overhead costs and insurance against hail . . . . .	30
Interest on working capital . . . . .	30
Interest on fixed capital . . . . .	225
<b>Total . . . . .</b>	<b>670</b>

The average yield per deciare is 32 kilogrammes, so that the cost of production works out at 21 drachmæ per kilogramme. The sale price averages 11 drachmæ per kilogramme, so that there is a loss for the producer of 10 drachmæ per kilogramme, or 320 drachmæ per deciare.

## III. WINE.

### Cost of Production per Deciare.

Cost of cultivation . . . . .	Drachmæ 300
Sulphur treatment . . . . .	90
Cost of gathering and pressing . . . . .	160
Overhead costs and unforeseen expenditure . . . . .	30
Interest on working capital . . . . .	60
Interest on fixed capital . . . . .	275
Amortisation of plant . . . . .	110
<b>Total . . . . .</b>	<b>1,025</b>

The average yield per deciare is 400 kilogrammes, so that the cost of production works out at 2.50 drachmæ per kilogramme (cost of production of average quality wine; other qualities range from 1.75 drachmæ per kilogramme up to 3.25 drachmæ per kilogramme for the highest quality).

Taking into account the fall in sale prices in foreign markets, and deducting cost of transport and trading costs, the producer is left with no more than 1.80 drachmæ per kilogramme; so that there is a loss of 0.70 drachmæ per kilogramme, or 280 drachmæ per deciare.

#### IV. RAISINS.

##### *Cost of Production per Deciare.*

	Drachmæ
Cost of cultivation . . . . .	310
Care of plants . . . . .	250
Chemical treatment . . . . .	240
Cost of gathering . . . . .	125
Overhead costs and insurance against hail . . . . .	110
Interest on working capital . . . . .	140
Interest on fixed capital. . . . .	500
	<hr/>
Total . . . . .	1,675

The average yield per deciare is 600 Venetian pounds, so that the cost of production works out at 2.80 drachmæ per pound. The average sale price is 2.20 drachmæ per Venetian pound so that there is a loss for the producer of 0.60 drachma per pound, or 360 drachmæ per deciare.

\* \* \*

The outcome of such a situation is obvious. The producer, working at a loss, is compelled to contract new debts in order to continue to grow his crops and satisfy his personal requirements—a purely temporary palliative which is worse than the original evil. The interest payments on the new loans augment the cost of production, and the position of the producer becomes more and more critical. Compelled to make petty economies in order to provide for current cash requirements, he is unable to improve his methods of cultivation and thereby reduce his cost of production. Again, the rate he has to pay for his loans will be increasingly usurious in proportion as his position is affected, particularly as there is scant prospect of his marketing the whole of next year's crop, which constitutes the security for his borrowing.

The banks themselves, in order to avoid being involved in heavy losses, are compelled to restrict their agricultural business to a minimum, and continually to raise the terms on which they are prepared to finance producers.

The latter, accordingly, are faced with complete ruin. To say nothing of the social perils which such a catastrophe would involve, it is easy to imagine the effect on the balance of payments of a country like Greece, in which agricultural produce constitutes the principal wealth out of which the country has to pay for its purchases and finance the service of its debt to other countries.

\* \* \*

The State has done all in its power to cope with this situation. M. Caramanos' memorandum gives an account of what has been done.

The proposal for the establishment of an international agricultural credit organisation, with which the Greek Government warmly associated itself from the first, cannot fail to bring relief to the producers.

But these measures are, unfortunately, not enough. The crisis goes beyond the limits of the Greek national economy. It is too serious and too deep-seated to allow of a solution by anything less than international action. The urgent need for such action appears to have been recognised in the case of the cereal-producing countries. The Greek Government believes it to be indispensable that such action should be extended to include the agricultural products of Greece.

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#### ANNEX 10.

### CONCLUSIONS OF THE ECONOMIC COMMITTEE ON THE PROBLEM OF THE TRADE IN AND TRANSIT OF FARM PRODUCTS OF ANIMAL ORIGIN.

*(Extract from Document C.427.M.177.1931.II.B.)*

The Veterinary Delegation of the Economic Committee drew up, after a fresh consultation with the experts, a third preliminary draft of an international Convention concerning the export and import of products of animal origin (other than meat, meat preparations, fresh animal products, milk and milk products).

The Committee therefore had before it, at its present session, three preliminary drafts of a veterinary Convention concerning:

- (a) The campaign against contagious diseases of animals;
- (b) The transit of animals, meat and other products of animal origin;
- (c) The export and import of products of animal origin (other than meat, meat preparations, fresh animal products, milk and milk products).

The Committee examined these proposals with the assistance of the Chairman and the Rapporteur of the Sub-Committee of Experts.

The Chairman and the Rapporteur stated that the experts were unanimously of the opinion that these three preliminary drafts, while constituting but a first step towards improved conditions in the international trade in animals and products of animal origin, presented very valuable elements of progress in the organisation of the veterinary services and in the campaign against the alarming spread of epizootic diseases. The drafts were also calculated to facilitate transit and accurately and scientifically to regulate the trade in products of animal origin, trade which had hitherto shown much instability.

The Economic Committee, sharing to the full the opinion of the experts and making use of the authorisation previously granted to it by the Council for the purpose, is asking the Secretary-General to communicate these three preliminary drafts to the Governments and to request them to submit their observations, while at the same time stating whether they regarded the drafts as likely to serve as a basis of discussion at an International Diplomatic Conference.

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*Official No.:* C.354.M.153.1931.VII.

[C.E.U.E.34.]

[C.395.M.158.1931.VII. (Extract)].

#### ANNEX 11.

### DRAFT PROTOCOL OF ECONOMIC NON-AGGRESSION PROPOSED BY THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS.

The representatives of the undersigned European countries,

Recognising that:

(a) The mitigation of the crisis which has overtaken the national economy of most countries requires, in addition to abstention from war as a means for the solution of international conflicts, the complete cessation of all forms of economic aggression, both avowed and concealed, by any countries or groups of countries, against any other countries or groups of countries;

(b) The cessation of economic aggression is an essential condition for the peaceful co-operation of States in the sphere of economics, irrespective of their political-economic systems;

(c) The cessation of economic aggression would help to put an end to the present atmosphere of mistrust, uncertainty and alarm, weighing so heavily upon the economic position;

And hoping that all other countries inspired by their example will join this Protocol, Have decided to recommend their Governments to sign the following Protocol:

1. The contracting parties once more solemnly confirm the principle, proclaimed at the International Economic Conference of 1927, of the peaceful coexistence of countries, irrespective of their social-political and economic systems.

2. The parties undertake in their mutual relations to forego any discrimination whatever, and to regard as incompatible with the principles of the present Protocol the adoption and application in their respective countries of a special system directed against one or more of the countries signing the present Protocol or not applicable to all other countries.

This Protocol will be ratified and come into force between those of the contracting parties who give in their ratification papers to the President of the Commission for the study of a European Union.

This Protocol may be subscribed to by all States in the world. Notification of adherence will be given to the President of the Commission for the study of a European Union, and it will immediately come into force between the State subscribing to it, and all other parties to it.



The President of the Commission for the study of a European Union will notify all parties to the Protocol of every new ratification or of every adherent, as soon as ratification papers have been received.

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Official No.: A.38.1931.VII.

ANNEX 12.

LETTER TO THE PRESIDENT OF THE TWELFTH ASSEMBLY, FROM THE CHAIRMAN OF THE FOURTH SESSION OF THE COMMISSION OF ENQUIRY FOR EUROPEAN UNION COMMUNICATING THE RESULTS OF THE COMMISSION'S WORK SINCE ITS THIRD SESSION.

Geneva, September 5th, 1931.

The Assembly has received a report by the Secretary-General on the work done by the Commission of Enquiry for European Union from its formation down to the end of May.

I have now the honour to inform you of the work done by the Commission of Enquiry since that date. The result of this work is summarised in the report of the Co-ordination Sub-Committee (document A.36.1931.VII), to which are appended the reports of the various special committees of the Commission of Enquiry, and other relevant documents.

At its meeting of September 3rd, the Commission of Enquiry, being in general agreement with the views therein expressed, adopted the above-mentioned report, on which the attached resolutions are based. The Commission of Enquiry does not think it proper, however, to take any action on these resolutions until they have been laid before the Assembly.

(Signed) G. MOTTA.

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Appendix.

RESOLUTIONS BASED ON THE REPORT OF THE CO-ORDINATION SUB-COMMITTEE.

I. — ECONOMIC RELATIONS AND INDUSTRIAL ORGANISATION.

The Commission of Enquiry for European Union:

(a) Decides to forward the report of the Sub-Committee of Economic Experts to the Governments of the States represented on the Commission, and to request them to send in their observations before January 1st, 1932, if possible.

At the same time it requests the Council of the League of Nations to instruct the Economic Committee of the League to study, on the basis of the preparatory work done by the Secretariat and having regard to the observations of Governments, the complex of problems raised by the idea of the "economic *rapprochements*" recommended by the Sub-Committee of Economic Experts;

(b) Requests the Council to instruct the Economic Committee to resume and pursue its consultations concerning the most important branches of production.

Based on the idea of "economic *rapprochement*", these consultations should give all those concerned, without exception, an opportunity of examining together the best methods of ensuring a better organisation of each branch of production and of thus contributing to the work of solidarity pursued by the Commission of Enquiry;

(c) Calls the Council's attention to the advantage there would be if arrangements were made for a full examination of the possible repercussions of the various schemes for economic *rapprochement* on the interests of non-European States.

II. — CREDIT PROBLEMS.

The Commission of Enquiry for European Union:

(a) Notes with interest the report of the Committee on Credit Problems;

(b) Requests the Council to give instructions for the study at the earliest possible date with the assistance of M. Francqui, Minister of State, of the scheme submitted by him to the Sub-Committee of Economic Experts;

(c) Notes that the International Institute of Agriculture proposes to hold a conference shortly in order to come to a final decision as to the creation of an international organisation for short-term agricultural credits.

### III. — AGRICULTURAL QUESTIONS.

The Commission of Enquiry for European Union:

(a) Is of opinion that a special committee like the Cereals Committee should consider, on the basis of the principles laid down at the Second Conference with a View to Concerted Economic Action and by the Cereals Committee at its session in June 1931, whether and under what conditions the extension of special facilities to agricultural products other than grain could be contemplated, regard being paid to the reservations made by various delegations on this subject;

(b) Requests the Council to instruct the Economic Committee to consider the expediency of preparing a preliminary draft international convention on the import and export of animals, meat and other products of animal origin.

### IV. — UNEMPLOYMENT.

The Commission of Enquiry for European Union:

(a) Draws the attention of the Council to the desirability of asking the International Labour Office to summon a Technical Placing Conference to meet upon the terms and with the agenda suggested in the report of the Unemployment Committee;

(b) Requests the Council to entrust the Committee of Enquiry set up for this purpose by the Communications and Transit Organisation with the examination of any schemes for public works of European interest submitted by Governments to the League. This Committee should be completed by the addition of representatives of the International Labour Office and, if necessary, of the competent organs of the League;

(c) Requests the Council to submit for examination by the competent organs of the League the suggestions made by the International Institute of Agriculture and endorsed by the Unemployment Committee, with a view to the co-operation of the various factors of production for the exploitation of territories not utilised. This examination should be carried out in concert with the Unemployment Committee.

### V. — PACT OF ECONOMIC NON-AGGRESSION.

The Commission of Enquiry:

Considers that a special committee should be set up to examine the Pact of Economic Non-Aggression as soon as this proposal has been approved by the Assembly.

### VI. — LIAISON WITH THE LEAGUE ADVISORY ORGANISATIONS.

The Commission of Enquiry for European Union:

Requests the Council to invite the League's Advisory bodies, whose co-operation has been solicited in the preceding resolutions, to establish liaison, in the course of their work, with the Commission of Enquiry, as has been suggested by the Co-ordination Sub-Committee.

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Geneva, October 22nd, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**MINUTES**

OF THE

**FIFTH SESSION OF THE COMMISSION**

*Held at Geneva on Saturday, September 26th, 1931.*

MEETING (PUBLIC).

*Held on Saturday, September 26th, 1931, at 5 p.m.*

*Chairman: H.E. M. Giuseppe MOTTA (Switzerland).*

**44. Election of the Chairman.**

Sir Eric DRUMMOND (Secretary-General) opened the meeting and invited the Commission to elect a Chairman for the present session.

*On the proposal of Count MENSdorff (Austria), M. MOTTA was elected Chairman.*

**45. Pact of Economic Non-Aggression: Constitution of a Special Committee.**

The CHAIRMAN read two resolutions on the work of the Commission of Enquiry for European Union submitted by the Sixth Committee to the Assembly (document A.66.1931.VII).

With regard to the first resolution, the Chairman noted with satisfaction that the Assembly had adopted all the proposals submitted by the Commission of Enquiry for European Union and approved by the Sixth and Second Committees.

The second resolution relating to the setting up of a special committee to study a pact of economic non-aggression laid two duties on the Commission. The first was the appointment of members to sit on the special committee with the representatives of the non-European States selected by the Assembly; the other consisted in fixing the date of the meeting of the special committee.

He announced that the Secretariat suggested the appointment of the following countries: Belgium, Czechoslovakia, Estonia, Finland, France, Germany, Great Britain, Greece, Italy, Latvia, Poland, Roumania, Spain, Sweden, Switzerland, Turkey and the Union of Soviet Socialist Republics.

*This proposal was adopted.*

The CHAIRMAN stated, with regard to the date of the meeting of the special committee, that the Secretariat suggested November 2nd, in view of the desire manifested on all sides that this problem should be studied as soon as possible. That date had been selected because it coincided with the meetings of other technical bodies connected with European Union and would enable certain States to economise by appointing the same representative on the various bodies. If the date had to be changed for unforeseen reasons, the States concerned would be warned in good time.

*This proposal was adopted.*

**46. Question of the Extension of a System of Special Facilities to Agricultural Products other than Cereals: Constitution of a Special Committee.**

The CHAIRMAN read the resolution submitted by the Second Committee and adopted by the Assembly (document A.75.1931.II.B, resolution 2(b)) relating to the setting up of a special committee to study the extension of a system of special facilities to agricultural

products other than cereals. He pointed out that the products concerned for the moment were tobacco and raisins. These products, however, were mentioned rather as an indication, and not in a restrictive sense.

The Assembly resolution laid on the Commission a new task — the appointment of the members of the special committee and the fixing of the date of its meeting. Before the meeting, the Secretariat would endeavour to collect all the necessary information relating to trade in these products. For this purpose, he asked the delegations to see that a statement on the question from the point of view of the countries concerned, bearing in mind the international situation of the trade in these products, should reach the Secretariat, if possible, by October 15th. It should be brief, but as clear as possible. If other States members of the Commission of Enquiry desired the Commission to consider other agricultural products they should communicate with the Secretariat before October 15th, giving a brief statement of the reasons, with all the necessary information.

In accordance with a suggestion by the Secretariat, the Chairman proposed the following fifteen countries as members of the special Committee: Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, France, Germany, Great Britain, Greece, Irish Free State, Italy, Netherlands, Poland, Spain and Turkey. It was understood that the conclusions of the special committee would be examined by the Economic Committee before submission to the Commission of Enquiry.

*The above proposals were adopted.*

The CHAIRMAN proposed that the special committee should be convened on October 30th, subject to a possible change of which the countries would be notified in good time.

It was understood that other States would be entitled to submit observations to the two committees just set up, should they so desire.

M. SOKAL (Poland) asked that the time-limit for sending the necessary information should not be too rigid.

The CHAIRMAN replied that it was understood that October 15th was indicated as a suggestion and not as the final date. Statements which arrived after that date but before the meeting would be taken into consideration.

*The date of the meeting was fixed for October 30th.*

#### **47. Election of the Chairman and Vice-Chairman for the Coming Year.**

The CHAIRMAN pointed out that, under its rules of procedure, the Commission was required each year, after the meeting of the Assembly of the League of Nations, to elect a Chairman and a Vice-Chairman.

VISCOUNT CECIL OF CHELWOOD (British Empire) proposed the re-election of M. Briand as Chairman.

M. GRANDI (Italy) supported the British proposal. At the same time, he thought the Commission felt unanimously that M. Motta, delegate of Switzerland, should be elected Vice-Chairman. Everyone appreciated the zeal with which M. Motta had helped M. Briand to direct the work of the Commission of Enquiry for European Union.

M. SOKAL (Poland) heartily supported M. Grandi's proposal. He was sure all the members of the Commission would welcome the appointment of M. Briand and M. Motta. He thought, however, that the latter, in view of the high office to which he would be called in the coming year, might desire help in his capacity as Vice-Chairman.

It was true that the rules of procedure provided for the election of only one Vice-Chairman, but there was nothing to prevent the Commission from altering its own rules and appointing two Vice-Chairmen, the second to relieve M. Motta of part of his work. M. Sokal therefore proposed that another Vice-Chairman be appointed and he suggested M. Politis. M. Sokal thought it unnecessary to dwell on M. Politis's personal qualities. He had done much for the League of Nations and the Commission of Enquiry for European Union. M. Politis lived in Paris, so that it would be possible for him to get into touch with M. Briand.

*M. BRIAND was elected Chairman of the Commission of Enquiry for European Union for 1932 by acclamation.*

COUNT BERNSTORFF (Germany) supported M. Grandi's proposal.

M. GRANDI (Italy) said that if the Commission decided to appoint a second Vice-Chairman, as suggested by M. Sokal, to assist M. Motta in carrying out his duties, the Italian delegation would heartily support M. Politis. Everyone would agree that he possessed all the qualities necessary for the fulfilment of the office of Vice-Chairman.

M. PETSCHÉ (France) stated that the French delegation supported the proposals of M. Grandi and M. Sokal.

He added that if M. Briand had been present he would certainly have expressed his gratitude for the confidence shown in him. For reasons of which everyone was aware, M. Briand was absent. The French delegation therefore expressed gratitude on his behalf,

and drew attention to the symbolic importance of the fact that at a time when M. Briand was proclaimed Chairman of the Commission of Enquiry for European Union, French Ministers were leaving for Berlin.

M. Petsche expressed the hope that a new era was opening in the relations between two great nations.

The CHAIRMAN thanked M. Grandi, Count Bernstorff, M. Sokal and M. Petsche, who had proposed his election. After a year's co-operation with M. Briand, he was unable to refuse the honour, and in spite of the difficulties of his task he felt it his duty to place himself at the Commission's disposal.

With regard to M. Sokal's proposal he pointed out that, although the rules of procedure mentioned only one Vice-Chairman, there was no objection to the appointment of several. M. Politis was so well known that it was unnecessary for the Chairman to praise him.

M. POLITIS (Greece) expressed his gratitude to M. Sokal, M. Grandi and M. Petsche. He would do his best to justify the confidence shown in him, particularly as he was called upon to collaborate with two statesmen for whom he had the greatest esteem and the most profound admiration.

*M. MOTTA and M. POLITIS were proclaimed Vice-Chairmen of the Commission of Enquiry for European Union for the year 1932.*

**48. Date of the Next Session of the Commission.**

On the proposal of the CHAIRMAN, *the next session of the Commission was fixed for January 1932, during the Council session or some time before the opening of the session.*

The CHAIRMAN declared the session closed.

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Geneva, November 5th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION.**

**REPORT BY THE SPECIAL COMMITTEE TO EXAMINE  
THE DRAFT PACT OF ECONOMIC NON-AGGRESSION.**

The Special Committee set up to examine the draft Pact of Economic Non-Aggression<sup>1</sup> at once appreciated the lofty and equitable motives on which this proposal was based, and expressed its approval of the intentions by which its authors had been guided.

But as soon as the Committee approached the detailed examination of the draft, it realised the necessity of obtaining exact information as to its scope, its implications and the uncertainties to which its text might give rise. Accordingly, a certain number of questions were put by the members of the Committee to the Soviet delegation.<sup>2</sup>

I.

The chief preoccupation of the majority of the members of the Committee was to discover whether and in what manner it would be possible to draw up between States having such dissimilar economic and social systems as the Union of Soviet Socialist Republics and other countries a Convention which, while taking due account of these differences, would nevertheless be sufficiently definite to avoid all ambiguity.

It was pointed out, in particular, that the consequence of the existence of a foreign trade monopoly in the Soviet Union was that, notwithstanding an undertaking entered into by the State to apply equality of treatment to all the other contracting parties, the same State acting as trader might, at least in theory, infringe its undertaking without its being possible for the injured party to prove any discriminatory intention, since the detrimental situation of which such party would complain would be a natural consequence of the economic system in force.

It appeared to some that this situation was further aggravated by the fact that the Union of Soviet Socialist Republics, as a consequence of its economic organisation, was in a position to encourage exports abroad without, they maintained, paying any attention to the traditional factor of the cost price of the goods exported, an assertion which the Soviet delegation emphatically denied. Certain members of the Committee expressed the opinion that negotiations conducted on a bilateral basis might have some prospect of surmounting the difficulties which appeared to them insurmountable from the point of view of concluding a collective pact.

To these observations, the authors of the draft replied that, in their view, the pact should, above all, rest on the mutual good faith of the contracting parties. They added that the situation from the point of the possible intervention of the State in the economic sphere, which was often described as the antithesis of the system in force in the so-called capitalist countries, was, in reality, not so different as it appeared at first sight. Recently, there had been a growing tendency in capitalist countries for the State to take charge of the national economic policy, which involved measures such as import and export restrictions, control of the exchanges, Government monopolies, etc. Moreover, the authors of the draft pact considered that, despite her special economic system, the Union of Soviet Socialist Republics was perfectly able to assume an obligation of non-discrimination, equivalent to a positive guarantee. They recalled the fact that their country had, on several occasions, been led to promulgate laws prohibiting the purchase of goods in a particular country by way of reprisals. In undertaking not to discriminate, the Soviet Union would have to refrain from promulgating such laws of exclusion in future, and this would constitute a guarantee for all the other signatory States.

<sup>1</sup> See document C.354. M.153:1931.VII.

<sup>2</sup> The Minutes of the session contain a summary of these questions prepared by the Secretariat, and the reply of the Soviet delegation.



Moreover, the delegates of the Union of Soviet Socialist Republics pointed out that purchases abroad were made on the basis of a general plan, prepared by the Government, by State commercial organisations, which, in the absence of special instructions, were to be guided solely by commercial principles, and would therefore buy in the market which happened to be the most advantageous in each particular case.

## II.

A second group of remarks made by various members of the Committee relates to the definition of certain ideas contained in the draft itself.

(a) In the first place, the Committee examined the question of the relation between the most-favoured-nation clause and the principle of non-discrimination.

According to the interpretation of the Soviet delegation, these two ideas are not the same thing. It might indeed be maintained that "the principle of non-discrimination is to some extent an inverse aspect of the most-favoured-nation principle". It recalled the definition given by M. Litvinoff at the Co-ordination Sub-Committee on August 31st, 1931, to the effect that "the principle of non-discrimination forbids the establishment of special conditions in regard to a given country by creating, in economic relations with that country, a system which would place it in a situation less favourable than that of other countries". Non-discrimination tended to "forbid the creation of a commercial and financial regime which would be inflicted on a given country or on a small group of countries when the commercial and financial policy of the country establishing this regime was distinctly more favourable to other countries".

(b) By this declaration, the Soviet delegation considered that it had implicitly replied to a series of questions put by certain delegates in regard to the relation existing between the principle of non-discrimination and the exceptions to the most-favoured-nation clause sanctioned by practice such as those relating to frontier traffic, Customs union, regional clauses, etc.

As regards the question of how the pact would affect possible preferential agreements, the Soviet delegation considered that these agreements would only be in contradiction with the draft if they were concluded without the consent of the parties entitled under their commercial treaties to claim the same advantage.

As regards the establishment of quotas, licences and import or export prohibitions, the Soviet delegation considered that these measures were compatible with the principle of non-discrimination as long as they were not specially established and directed against a given country and were applied to the commerce of all countries.

In the Soviet delegation's opinion, the draft pact did not affect the rules in force as regards the nationality of goods, like products, etc., as long as no discrimination specially directed against a country was established in applying these rules.

(c) According to the Soviet delegation, one of the principal differences existing between the proposed pact and the most-favoured-nation clause resided in the fact that, in virtue of the pact, a contracting party could not claim the application to its goods of conventional tariffs with the special advantages deriving from commercial treaties, but could only claim the application of the general system to its trade.

(d) In the Soviet delegation's opinion, the principle of non-discrimination should be applied to all economic relations between countries, and should therefore extend to matters other than Customs matters, such as the establishment of foreigners and foreign enterprises, navigation, land and air transport, transit, financial and fiscal questions, etc.

## III.

Certain delegates expressed misgivings with regard to the dangerous consequences which they thought the conclusion of such a pact as is proposed might involve for countries which were relatively weak from the economic standpoint, and which might, therefore, in exceptional circumstances, find themselves deprived of the only means of defence at present at their command. The Soviet delegation asserted that, on the contrary, weak countries, being less able to defend themselves, could only gain by the conclusion of a pact of non-aggression.

## IV.

In the course of the explanations it offered, the Soviet delegation mentioned a number of measures recently resorted to by certain States which, in its opinion, would be contrary to the spirit of the proposed pact.

These measures included the boycotting of foreign goods in consequence of overt or disguised governmental action. The same applied to the sudden and simultaneous withdrawal of credits from any particular country, and to similar measures in the field of financial policy, if such measures were taken in an aggressive spirit.

The problem of dumping and the question whether the introduction of anti-dumping duties or similar compensatory measures should be regarded as an act of aggression within the meaning of the draft were not settled by the Committee.

#### V.

A discussion having arisen as to the possibility of giving a precise contractual form to the ideas underlying the draft pact, the Soviet delegation expressed the view that the question presented no difficulties, and supported that view by referring to the existence of an agreement concluded in April 1930 between the United Kingdom and the Union of Soviet Socialist Republics.

The majority of the members of the Committee, however, thought that a multilateral agreement in the form of the pact as now submitted would be difficult to bring about. Reference should here be made also to the observations mentioned in paragraph I.

#### VI.

The Committee did not go thoroughly into certain subsidiary questions, such as the duration of the pact if it should be concluded, the machinery to be provided for the settlement of disputes that might arise in connection with its application, etc.

\* \* \*

As a result of its discussions, the Committee reached the following conclusions:

(1) The Committee endorses the general idea underlying the proposal for a pact of non-aggression.

(2) It asserts that it is possible for countries with a different economic and social structure to exist peacefully side by side. It emphasises the necessity of States being guided in their economic relations solely by the needs of economic life and not by any considerations explicitly derived from differences in political and social systems.

(3) Having regard to the different interpretations given to the actual terms of the draft pact and the difficulty of defining aggression, discrimination, etc., within the framework of such a pact;

Seeing that the draft under consideration does not seem likely to secure unanimous acceptance or even acceptance by a majority of the members of the Committee;

And having regard to the necessity of reconsidering the question in the light of the discussion that has taken place in the Committee;

The Committee decides to meet again before the meeting of the Commission of Enquiry for European Union in January 1932 to re-examine the question, taking into account any amendments or further observations which the Governments are requested to send to the Secretary-General in good time.

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Geneva, November 25th, 1931.

**LEAGUE OF NATIONS**

**COMMISSION OF ENQUIRY FOR EUROPEAN UNION**

**SPECIAL COMMITTEE TO CONSIDER A PACT OF ECONOMIC  
NON-AGGRESSION**

**MINUTES OF SESSION**

*Held at Geneva from November 2nd to 5th, 1931.*

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LIST OF MEMBERS.

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*Chairman* : His Excellency M. Giuseppe DE MICHELIS (Italy).

<i>Belgium</i> :	M. Fernand VAN LANGENHOVE.
<i>Chile</i> :	His Excellency M. VALDÉS-MENDEVILLE.
<i>China</i> :	Dr. Woo KAISENG.
<i>Czechoslovakia</i> :	His Excellency M. Zdenek FIEBLINGER.
<i>Estonia</i> :	His Excellency M. Auguste SCHMIDT.
<i>Finland</i> :	His Excellency M. Rudolf HOLSTI. M. Paul HJELT.
<i>France</i> :	M. Paul ELBEL.
<i>Germany</i> :	Dr. Hans POSSE.
<i>Great Britain</i> :	Sir Sydney CHAPMAN.
<i>Greece</i> :	M. R. RAPHAEL.
<i>India</i> :	Mr. H. A. F. LINDSAY, C.I.E., C.B.E.
<i>Italy</i> :	His Excellency M. Giuseppe DE MICHELIS ( <i>Chairman</i> ). M. Arthur COLOMBO.
<i>Japan</i> :	M. Hitoshi ASHIDA.
<i>Latvia</i> :	M. Jules FELDMANS.
<i>Poland</i> :	His Excellency M. François SOKAL.
<i>Roumania</i> :	His Excellency M. Constantin ANTONIADE.
<i>Spain</i> :	M. Francisco BERNIS.
<i>Sweden</i> :	M. Vilhelm LUNDAVIK.
<i>Switzerland</i> :	M. Walter STUCKI.
<i>Turkey</i> :	Cemal HÜSNÜ Bey.
<i>Union of Soviet Socialist Republics</i> :	His Excellency M. Gregorii SOKOLNIKOV.
<i>Uruguay</i> :	His Excellency M. Henri BUERO.
<i>Yugoslavia</i> :	M. Velinier STOYKOVITCH. M. Milan TODOBOVITCH.

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FIRST MEETING (PRIVATE).

*Held on Monday, November 2nd, 1931, at 11 a.m.*

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*Chairman : M. DE MICHELIS (Italy).*

**1. Opening of the Session : Election of the Chairman.**

The SECRETARY-GENERAL, acting in his capacity as Secretary of the Commission of Enquiry for European Union, declared the meeting open and asked for the nomination of a Chairman.

On the proposal of M. ELBEL (France), M. DE MICHELIS (Italy) was unanimously elected Chairman.

**2. Examination of the Committee's Terms of Reference : General Discussion of M. Litvinoff's Proposal.**

The CHAIRMAN, after thanking the Committee for the honour done him, reviewed the events leading up to the convening of this Special Committee to consider the proposal made in May by M. Litvinoff for a pact of economic non-aggression in the form of a Protocol, the draft of which members now had before them (document C.354.M.152.1931.VII).

After consideration by a Sub-Committee, the proposal came, in August, before the Co-ordination Sub-Committee, which, with the subsequent concurrence of the Assembly, referred it to a Special Committee. On the suggestion of the Assembly, Australia, Canada, China, Japan, Uruguay and the United States of America were also invited to sit on this Committee — an invitation which Australia, Canada and the United States of America found themselves unable to accept.

After stressing the necessity of bearing in mind the declarations made at the meetings of the Commission of Enquiry by M. Flandin and M. Grandi, and particularly by M. Litvinoff, on the purpose of the Protocol, the Chairman thought it would be fully appreciated that M. Litvinoff's proposal was intended to contribute to the establishment of peaceful conditions in Europe, and should therefore be given sympathetic consideration. The problems raised were certainly very complex, but he trusted the Committee would find an appropriate solution for them.

He would call on the Russian representative to give an explanation of the general purport of M. Litvinoff's proposal.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) described the circumstances which led his Government to submit its proposal for a pact of economic non-aggression at the May session of the Commission of Enquiry for European Union. It was only in September that the fifth session finally decided to set up the Special Committee, which was now in session, and which he hoped would adopt a final text for submission to the Governments concerned.

He thought it was rather astonishing that the Commission of Enquiry, formed primarily to combat the consequences of the economic crisis, should not have shown more eagerness to accept the Soviet proposal. It should not be imagined that, in advocating the necessity for an immediate and exhaustive study of its proposal, the Soviet delegation had any idea of prescribing a remedy for the evils afflicting the capitalist system. These evils and defects were beyond cure, and world production could only be substantially and rapidly increased when the anarchy of capitalism had been replaced by some such system as the Five-Year Plan. It was not the policy of the Soviet Government to disorganise world economy, or aggravate the prevalent economic crisis, but rather to safeguard the rapid growth of Soviet trade and industry against the negative influences of capitalism. The Soviet Government submitted its draft pact of economic non-aggression at a time when the world depression was at its height, in the conviction that two contrasting economic systems could exist peacefully side by side. If the Commission of Enquiry had adjourned discussion of the proposal in the hope that the crisis would shortly pass, it had clearly been mistaken. The crisis was deepening and had now become a crisis of currency and of credit, leading in several capitalist countries to financial catastrophes. In some countries, economic aggression had latterly taken the form of large-scale withdrawals of credit, thus upsetting the currency circulation of other countries. In the opinion of the Soviet delegation, this was simply a form of economic aggression which, under the proposed pact, should be absolutely repudiated. Though their proposal was, naturally, inspired by the interests of the Soviet Union, it had a general and very serious practical significance for countries where other economic principles prevailed.

The Soviet Union had keenly felt the consequences of economic aggression as represented by the measures taken in certain countries to discriminate against it. At the third session of the Commission of Enquiry for European Union, several Foreign Ministers

had repudiated the Soviet delegation's statements that their countries had aggressive intentions or had been guilty of aggressive acts against the Soviet Union. The events of recent months had unfortunately confirmed the statements made, and the special measures of economic aggression taken by Belgium, Hungary, Roumania and Yugoslavia were still in force. The same applied to certain overseas countries. Quite recently, in one of these latter, openly hostile action had been initiated against Soviet trade and had led to commercial relations between the Soviet Union and that country being broken off. At the present moment, another mendacious Press campaign was being waged against the Union. It was asserted that the Union would shortly be unable to meet its financial engagements. The motive for the campaign was, doubtless, the fact that several leading capitalist countries could not at the present time meet their obligations. This was to disregard the circumstance that the Five-Year Plan, by regulating currency movements, was the best method of maintaining the balance of payments. He only mentioned this ridiculous campaign to show that the sole object of such proceedings was to undermine Soviet trade and lead up to the various measures of discrimination against the Soviet Union. The damage done by such a campaign should be clear, even from the standpoint of the interest of capitalist countries which were in business relations with the Union. It was indisputable that, whereas the general volume of commercial transactions was falling, the orders given by the Soviet Union were constantly increasing in proportion to the rapid growth in Russian production.

Those were the most objective arguments in favour of the draft before the Committee. The pact could not, of course, be regarded as a universal remedy, but any measure which could possibly mitigate, however slightly, the economic vicissitudes of the world in general, and of the workers of the world in particular, ought to be given appropriate recognition. If the principles of the pact were admitted, the Soviet delegation would be prepared to meet delegates on any amendments or additions not inconsistent with those principles.

During the Committee's proceedings, the Soviet delegation itself would make some concrete additions, called for by recent events and by the observations made by delegations, with the object of defining the fundamental principles involved. He trusted that their proceedings would result in the final drafting of a pact of economic non-aggression.

M. TODOROVITCH (Yugoslavia) felt that delegates could hardly decide their attitude towards the proposal without further detailed information. He would like to know, for instance, whether the pact of economic non-aggression would have exactly the same scope as the most-favoured-nation clause. Would the Protocol be inserted in commercial treaties or would it form a separate treaty binding on States, for instance, with which commercial treaties had been concluded ?

M. FIERLINGER (Czechoslovakia) said his delegation fully sympathised with the proposal made and would give it impartial consideration. More detailed information, however, as to the exact technical consequences involved by the proposal would be required. For instance, would the conclusion of a pact of economic non-aggression mean that the existing forms of discrimination found in bilateral treaties, such as intermediate rates, preferential tariffs, the quota system, export and import licences, have to be abolished ? In the circumstances, it might be advisable to draw up a questionnaire on such practical points, to which the Soviet delegation would give a considered reply.

M. POSSE (Germany) reminded the Committee that Germany had previously expressed its sympathy with the proposal. He supported the suggestion made by M. Fierlinger, and enquired whether the Soviet representative could now give the additional explanations referred to at the end of his speech.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) suggested that the general discussion should be continued and the various queries and objections of delegates embodied in a questionnaire, to which he would reply later.

The CHAIRMAN ruled that the discussion of the general principles involved should continue, and that any concrete questions raised by delegates should be put into writing and handed to the Secretariat for transmission to the Soviet delegation.

M. LUNDBIK (Sweden) believed that there would be general agreement on the idea at the basis of the Soviet proposal, seeing that it was really a repetition of one of the fundamental principles of the League of Nations. It might even be said to be a logical consequence of the positive engagement contained in Article 23(e) of the Covenant, by which Members of the League undertook to make provision to secure equitable treatment for their commerce. It would be in entire harmony with the principle of the League's universality if such equitable treatment were granted, not only to Members of the League, but to all States which applied the same policy.



Easy as it was, however, to agree on the principle of non-aggression, it was a more difficult matter to express it in a treaty, and, as had already been remarked, the present wording of the Soviet proposal laid it open to criticism and raised a number of serious problems. In one of his speeches in the Committee of Co-ordination, M. Litvinoff used a very striking expression when he described his proposal as being an inverted form of the most-favoured-nation principle. It was common knowledge that for years past the Economic Committee had found it extremely difficult to secure unanimity on the interpretation and application of the most-favoured-nation clause. The proposal now made by the Soviet delegation meant, in substance, that States would forgo any form of discrimination; but was that not the very aim of the recommendations made at the World Economic Conference of 1927 regarding the most-favoured-nation clause? Had it not also been found that, immediately generalities were abandoned and an attempt made to adopt a clear, unequivocal definition of "discrimination", irreconcilable differences of opinion arose? To take only a few examples. Suppose a country accepted the Soviet proposal, could it introduce specifications into its Customs tariffs without being guilty of discrimination? Again, the problems of similar products, quotas, anti-dumping duties, etc., would be as acute in the case of a pact of non-aggression as in the case of the most-favoured-nation clause. Finally, at such a critical time as the present, would it be possible to disregard the repercussions of, say, the system of currency control practised in several countries? Those examples were sufficient to prove the complexity of the Committee's task, and until they were solved no real progress could be made.

M. BERNIS (Spain) demurred to the use in the draft Protocol of the expressions "discrimination" and "aggression". He did not think that the promises implied in these expressions were characteristic of the capitalist system only. The Press campaign also, to which M. Sokolnikov had alluded, could hardly be classed as a form of aggression. No protocol or treaty could possibly prevent people from having doubts as to the feasibility of enterprises like the Five-Year Plan. He would be glad to have the additional information promised, and to see the wording of the proposal altered in the above respects.

*The continuation of the general discussion was adjourned to the next meeting.*

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## SECOND MEETING (PRIVATE).

*Held on Monday, November 2nd, 1931, at 4 p.m.*

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*Chairman : M. DE MICHELIS (Italy).*

### 3. General Discussion of M. Litvinoff's Proposal (continuation).

M. STUCKI (Switzerland) said there could be no doubt that it was in the tradition and interest of Switzerland, which had frequently suffered from economic and military aggression, to support a convention which would protect the weak against the strong and safeguard peace in all its forms. The Federal Government had therefore studied the Soviet proposal, not merely with an open mind, but even with the hope that some tangible result would emerge.

Contrary to what had been suggested at the morning meeting, he would not so much ask questions as submit arguments. The position he thought was fairly clear. The wording of the proposal might be altered, but the substance would remain unchanged. He might say, therefore, that his country did not believe that the Soviet proposal, however lofty and attractive, would be favourably welcomed in the form of a Convention. Switzerland could certainly not accede to it. She did not claim the right to take aggressive action, but would be reluctant to bind herself on the point because of the apprehensions she felt regarding her defence in economic matters. In other words, while Switzerland had no desire to be able to indulge in acts of aggression, she wished to be free, if necessary, to defend her interests.

The Soviet delegation had frankly stated that it made the proposal in the interest of the Soviet Union, but that its realisation would also promote the interest of other countries, or at any rate of those of Europe. The proposal would certainly serve the interest of the country which made it. M. Litvinoff himself had said that neither in private nor in international relations could a Convention be concluded unless it was advantageous to both sides. It was not very clear to him what Switzerland would gain. Would such a Convention have the same practical scope in a country where there was an export and import monopoly as in a country whose nationals were absolutely free to import or export?

The Commission of Enquiry and the Co-ordination Sub-Committee had expressed grave doubts on this subject, and he could share them all the more freely since Switzerland did not discriminate against any country and had therefore no special interests to protect.

If, by signing such a pact, Switzerland undertook not to exercise any discrimination, would not the effect be that, once the Convention was signed, large quantities of goods from another country would have to be allowed to enter indiscriminately and thus seriously imperil part of the national economy? Could the exporting country in question also not suddenly stop purchasing any goods at all in Switzerland? M. Litvinoff had countered this objection by stating that it was a case of legislative or administrative action, and that it could not be conceived that the Soviet Union would, as a measure of aggression or discrimination, prohibit its purchasing organisations from buying in Switzerland. He had even stated at a meeting of the Co-ordination Sub-Committee on Economic Matters<sup>1</sup> that :

“ It was in actual fact always possible, by means of secret instructions, to exercise discrimination against a country, but that was not an adequate reason for not signing the Pact”.

M. Stucki disagreed ; it was a good reason. His objection was not directed against the country responsible for the proposal. Had it been any other country he would have taken the same view.

A pact which appeared to protect the interests of small countries against those of larger countries might contain new dangers for the small countries. Switzerland, therefore, could not accept an agreement signed by a country which exercised a monopoly of exports and imports.

Most Central European countries had now concluded treaties of commerce with their neighbours, with the rest of Europe and even with oversea countries. Most of these treaties were based on the most-favoured-nation clause, the positive feature of which was that, if one of the contracting States accorded a privilege to a third State, that privilege had also to be granted to the other contracting party. Its negative feature was that parties undertook not to exercise any discrimination and to accord one another reciprocal treatment.

There was no doubt in his mind that the draft Protocol went much further than the most-favoured-nation clause and, more serious still, created certain ambiguities. The Economic Committee had already found it impossible to get general agreement on the question of the most-favoured-nation clause and on the various points referred to at the morning meeting by M. Lundvik (Customs specifications, similar products, anti-dumping duties, quotas, currency control, etc.). The Committee had failed to clear up these various problems or to establish a definite general understanding, even on the basis of the generally accepted interpretation of the most-favoured-nation clause. It would be still more difficult, therefore, to agree on the idea of non-discrimination. However excellent the intention, the danger was that, instead of the situation being cleared up, international business relations might be complicated.

He would stress the fact that, had any other delegation made the same proposal, his country's attitude would not have differed. Switzerland could not allow her hands to be bound as regards capitalist countries any more than as regards a country where a different system prevailed. Moreover, the Economic Committee itself had stated that the most-favoured-nation clause was not divinely inspired, and that there might be cases of treatment which could hardly be called equitable. He was prepared to agree that the clause would be a valuable one, but it would be better not to go too fast and to let well alone.

M. POSSE (Germany) agreed that the exact connotation of the words “ discrimination ” and “ non-aggression ” in the Soviet proposal should be clearly established. To avoid misapprehension, he would also like an explanation of the following points : (1) Would existing treaties be affected by the proposed pact or not? (2) Would the usual exceptions to the most-favoured-nation clause be excluded or not? (3) A similar query regarding the system of preference. A number of other secondary questions had already been put by M. Lundvik and M. Stucki regarding quotas, dumping, etc.

M. VAN LANGENHOVE (Belgium) pointed out that the idea at the root of the Soviet proposal was not new, being implicit in the tenor of Article 23 of the Covenant as well as in the recommendations of the World Economic Conference of 1927 and the Commercial Convention of 1930. Any objections to the proposal were therefore directed not so much against its basic idea as against the way in which it was expressed. Did the obligation

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<sup>1</sup> See Minutes of the Meeting of August 31st, 1931 (document C.E.U.E./C.M.E./P.V. 2, page 15).

contained in the pact correspond to the most-favoured-nation clause ? In his speech of August 31st, 1931, M. Litvinoff gave a restrictive interpretation of the obligation and held that discrimination arose only if it were directed against a State or a small number of States. That was an arbitrary definition. M. van Langenhove was of opinion that the discrimination implied in the Pact would clash with the most-favoured-nation clause.

The following were his questions :

(1) Did the authors of the proposal really intend to prohibit discrimination in any sphere whatever — *i.e.*, not only as regards import and export duties, but also as regards prohibitions and restrictions, transport, transit, and even adjudication, taxation, treatment of foreigners and of foreign undertakings ?

(2) Duration of the pact. In the present troublous times, States tended more and more to curtail the duration of their engagements and even, where possible, of engagements already accepted.

(3) Reciprocal guarantees (a question already raised by M. Stucki). The Belgian Customs law contained certain measures of defence which the Belgian Government could never forgo without guarantees. Obviously, no other Government was likely to agree to forgo similar powers in its own legislation. What guarantees, therefore, could be furnished by other States, and particularly by the Union of Soviet Socialist Republics in view of its special economic system ?

Some years ago, the Economic Committee had studied the possibility of extending the most-favoured-nation clause, and had arrived at the same conclusion as the 1927 Economic Conference — namely, that each State would have to determine in what cases and to what degree fundamental guarantees must be required. As things stood at present, no other conditions could be made. He would emphasise that his attitude to the proposal was far from negative, much less hostile ; but the point was to decide what they were aiming at and what, above all, could be achieved.

Sir Sydney CHAPMAN (Great Britain) said the Committee did not need to discuss the question of motives, as this had already been disposed of by the Commission of Enquiry for European Union. The question, therefore, was not whether a country should or should not engage without provocation in economic or any kind of aggression against another country, but whether such an idea could be inserted, and lend itself to interpretation, in a formal international instrument. They all believed in the so-called " spirit of Geneva ", but it was, nevertheless, hardly possible to embody in a Convention the principle underlying that idea. The Committee's first duty, therefore, was to see whether the principle of economic non-aggression could be embodied in a concrete Convention.

That question raised two difficulties to which M. Litvinoff had made some reference during the discussions of the Commission of Enquiry for European Union : Was it possible to define the acts of discrimination which constitute unprovoked economic aggression by one country against another ? Did the Soviet Union believe that a clear distinction could be drawn between ordinary most-favoured-nation treatment and the idea of non-discrimination at the basis of the proposed Convention ?

Secondly, to conclude a Convention between different countries, a text had to be drafted which could be applied to all the States parties to that Convention. The fundamental difficulty was to express the obligations in terms applicable to different political and social systems. In this case, the Soviet political and social system differed entirely from that of the other countries. The distinction, for instance, between the Government and traders in the international field did not apply in the Union of Soviet Socialist Republics. Therefore, there could not be general engagements on the part of Governments not to interfere with the ordinary operations of traders in particular ways. He gave that instance, not with any intention of critically comparing the two systems, but as an illustration of one of the difficulties with which they were confronted.

M. VALDÉS-MENDEVILLE (Chile) said that, as a representative of an extra-European country, he could only speak in very general terms. The Assembly had implicitly recognised that the problem bore a universal character, and that the solution of such economic problems should not be confined to one single group of countries or to one continent only, as a partial solution might do harm to other areas and have serious effects.

He would ask the Soviet delegation whether, supposing the terminology were changed (as he thought it should be), the idea of " cessation of economic aggression " should not

refer rather to restrictions and prohibitions. In this connection, he would remind members of the 1928 Convention, which had remained virtually a dead letter. Indirect protectionism was sometimes worse than direct protectionism, for which remedies could more easily be found. Nowadays, restrictions and prohibitions had, owing to the rather too clever artifices employed, become more numerous. These methods had been adopted to safeguard the vital interests of a country, and the great industrial Powers usually employed them to protect one of their various industries. The interests affected, however, were just the vital interests of certain younger countries which supplied raw material, so that occasionally one industry controlled the whole of the national economy. The effect of such a system was to disorganise markets, disturb the balance of payments, upset the financial equilibrium and make it necessary to control the currency and sometimes to declare a moratorium. In the natural sequence of cause and effect, the countries which had taken steps to protect one or more of their industries were the first to suffer the consequences of this state of affairs. He did not imply that such special measures, the need for which could sometimes be understood, were in themselves the source of serious disturbance. That depended on how they were applied.

He would confine himself to these few observations and reserve the right to speak again if the course of the discussion called for it.

M. BERNIS (Spain) stressed the need for a different terminology. It was a commonplace that commodity prices in the case of a monopolist country (and Russia was such a country) were governed by other laws than those which regulated prices in countries where competition was open. This distinction had always existed to such a degree that the expression "discriminatory prices" had been adopted to describe the prices of second or third degree monopolies.

The Union of Soviet Socialist Republics was a case in point, since it charged discriminatory prices for foreign trade commodities. Did the proposed pact of economic non-aggression mean that Russia wanted to carry on business with other countries on the same terms and under favourable conditions? Such a desire, however legitimate, might quite possibly not be recognised by the other countries. Everyone was free to make a choice, and the unsuccessful bidder had only a limited right of complaint. In its present form, the pact of economic non-aggression was unacceptable. No State could impose the clauses it contained either on its administration or on its own public opinion.

M. SCHMIDT (Estonia) was very sympathetic to the idea embodied in the Soviet proposal, the more so as Estonia was Russia's neighbour. As regards the actual wording given to the idea of non-aggression and the conditions of its application, the questions he had intended putting had already been asked by preceding speakers, and he had nothing further to add.

M. HJELT (Finland) entirely agreed with the opinion expressed by the previous speaker. He thought it would be useful to study the various aspects of the question, but that this could not be thoroughly done by the present Committee, for lack of time. It would be better, therefore, to refer the question for investigation either to the bodies which were already considering similar questions or to a special Committee which would have plenty of time to study it exhaustively. All that the present Committee could do would be to send the Commission of Enquiry for European Union a vaguely worded recommendation, or it might perhaps submit a questionnaire to the Soviet delegation. The detailed discussion of the reply should be postponed until later.

M. ELBEL (France) said that, when the idea of economic non-aggression was first mooted, French public opinion had welcomed it with interest and sympathy. When M. Litvinoff, however, gave the idea concrete expression, it was not found so attractive, and M. Flandin had therefore voiced certain preliminary criticisms which he, M. Elbel, could only endorse.

The proposed pact of economic non-aggression was notoriously inspired by a concern for the interests of the Soviet Union. Did these interests, however, exactly coincide with the real idea of the pact now proposed by the Soviet delegation? The Soviet Union was a country where commerce was governed by regulations which differed from those general in other countries. How, therefore, could the idea of non-discrimination be reconciled with that of a foreign trade monopoly? It should also be borne in mind that the object of the ambitious Five-Year Plan was to enable Russia to flood the world later with large quantities of cheap goods. In Russia, the idea of cost price was now obsolete. The Russian Government did not agree that selling at prices lower than those customary on other markets was dumping.

He would like to know how the three conceptions (foreign trade monopoly, Five-Year Plan for mass production, and abolition of the idea of cost price) harmonised with the proposals in the draft pact. The inference from this proposal was that discrimination of any kind was an act of aggression. Discrimination was rather an ancient idea. For some

years past the League of Nations had been studying the most-favoured-nation clause with its advantages and drawbacks, and previously it had been dealing with a similar idea — that of equitable treatment. From the very outset, various French representatives had entered reservations as regards equitable treatment. Their view was that liberal countries could not be treated on the same footing as ultra-protectionist countries. France had therefore, in concluding her first post-war treaties of commerce, introduced discrimination and established, not only maximum and minimum, but even intermediate Customs tariffs. She did not regard these measures, however, as a form of aggression. She had no such intentions. Furthermore, many commercial conventions concluded by France both before and after the war did not grant the most-favoured-nation clause to large capitalist countries, such as the United States of America, Canada, Chile or Finland; but the French Government did not consider that an act of aggression. In the last three years, owing to complications in world economics, France had been forced, like most countries, to increase her means of defence, and, under the pressure of circumstances, had adopted a policy of quotas which obviously entailed a certain amount of discrimination. Those were exceptional measures which had to be tolerated as a necessary evil.

M. Elbel wondered whether the present moment was propitious for concluding the pact proposed by the Soviet Union. The world nowadays was suffering from maladjustment between production and consumption. Prices were chaotic. In some markets, supply was excessive, unemployment had grown disturbingly in most countries — in a word, nearly everywhere the position was catastrophic. At a moment when countries were wondering which was the quickest way to get out of the mess, it was paradoxical to ask them to give up what was perhaps their sole means of salvation.

As regards credits, did the Soviet delegation believe that it was an aggressive act on the part of a State not to prolong credits?

In a word, M. Elbel's fear was that the proposal before them was rather exaggerated and over-ambitious, though parts of it were quite acceptable. M. Litvinoff had already declared that two totally different economic systems could quite well co-exist in peace. The idea was worth emphasising. It should be proclaimed that, despite the fundamental differences in their social and political position, two States or groups of States could perfectly well maintain pacific relations. That, however, was as far as they could go, particularly as most States, European or other, had taken defensive measures against States with the same political, social and economic conceptions. Here he would join with M. Posse in asking a final question: Would existing treaties be affected by the pact or not?

M. RAPHAEL (Greece) and MR. LINDSAY (India) had nothing to add to the questions asked by other delegates.

M. COLOMBO (Italy) declared that the Italian delegation maintained the attitude taken up by M. Grandi in the Co-ordination Sub-Committee in favour of accepting the Soviet proposal. The questions raised and the difficulties indicated were certainly numerous. The Italian delegation proposed that they should be examined with a view to concluding an agreement which would serve to establish the economic equilibrium generally desired.

M. ASHIDA (Japan) pointed out that the Japanese economic system was based on the resolutions adopted at the International Conference of 1927, the fundamental idea of which — equitable treatment of international commerce — was also at the basis of the present proposal. It would, however, be difficult, if not impossible, to conclude on that basis pluri-lateral conventions which would be both definite and comprehensive. National economic policies varied considerably, as every country was to a certain extent in a special situation. If, therefore, a single general convention laid down over-rigid guarantees, some countries might suffer. Equally, if allowance was made for all possibilities, the application of the convention would be considerably weakened.

It was difficult to see exactly how far the proposal in its present form could be applied. While favourable, therefore, to the principle, the Japanese delegation would draw attention to the delicate question of the form which the pact should take.

He had one concrete question to ask: Did the expression "economic aggression" include the economic boycott of foreign goods?

M. FELDMANS (Latvia) said that, while sympathising with the idea contained in the Soviet proposal, the Latvian Government would like fuller information on the proposed pact. He would not repeat the questions asked by other delegates, but merely enquire whether the Soviet delegation regarded the safeguards constituted by certain regional clauses as discrimination. Latvia, for instance, under the "Baltic clause", agreed to special treatment being accorded to neighbouring countries.

M. SOKAL (Poland) pointed out that, in the Co-ordination Sub-Committee, M. Zaleski, the Polish Foreign Minister, had stated that the Polish Government would carefully study the Soviet proposal. This had been done, and it was found that, so far as it purposed to combat the world economic crisis, the proposal merited the greatest attention. There were two necessarily distinct points in the proposal — paragraph 1 stated that "the contracting parties once more solemnly confirm the principle proclaimed at the International Economic Conference of 1927 of the peaceful co-existence of countries irrespective of their social, political and economic systems". On this cardinal point the Polish Government had no difficulty in agreeing that such co-existence was possible, particularly as Poland herself was a neighbour of the Soviet Union. He therefore concurred with the other delegates in accepting this part of the proposal.

Paragraph 2, however, had the drawback of being ambiguous and had evoked a number of questions which he need not repeat. He would merely stress the importance of the question asked by M. Todorovitch at the first meeting regarding the relation between the most-favoured-nation clause and the clause of "economic non-aggression" or non-discrimination. That was a fundamental question which should be cleared up immediately.

He had some further secondary questions to ask. For how long a period would such an agreement be concluded? How could differences of opinion which might arise between the contracting parties as to whether discrimination had occurred or not be settled? There should be a special arrangement for this purpose.

In conclusion, M. Sokal stressed the importance of the first paragraph of the Soviet proposal. If the Soviet delegation regarded it as fundamental, he would be glad to support them.

M. ANTONIADE (Roumania) had no special queries to put, but shared the doubts of most other delegates. He would like to have explanations on the terminology, the connection between "non-discrimination" and the most-favoured-nation clause, the duration of the obligation and the question of reciprocal guarantees.

M. LUNDBIK (Sweden) had nothing to add to his previous statement.

M. TODOROVITCH (Yugoslavia), reverting to the question raised at the morning meeting, said that his Government, after studying the Soviet proposal and noting M. Litvinoff's declarations, had found that there was a very great difference between the most-favoured-nation clause and the clause of non-aggression. The difference was twofold. In the first place, there was the material difference that, under the most-favoured-nation clause, it was always permissible to discriminate to some extent (by Customs unions, quotas, etc.). As the Yugoslav Government construed the clause of non-aggression, all discrimination would have to cease. Secondly, there was what might be called a "territorial" difference. The most-favoured-nation clause applied only to countries which were bound by treaties of commerce. In the case of other countries an autonomous tariff or some other system prevailed. The Yugoslav Government wondered what would be the position if the clause of non-aggression were adopted. If that clause involved extending equitable treatment to all countries indiscriminately, his Government could not accept the Soviet proposal in that form.

M. FIERLINGER (Czechoslovakia) said that most of the speakers had already anticipated his questions. He would merely ask in another form the question put by M. Todorovitch. Would the pact entitle a signatory forthwith to the benefits of a conditional tariff, or did it mean merely that the other party should offer the same conditions as were enjoyed by any third country. Could it be given another interpretation — as, for instance, that of a "super-most-favoured-nation clause" not immediately confining the benefits of an additional tariff?

Cemal Hüsnü Bey (Turkey) mentioned that, during the proceedings of the fourth session of the Commission of Enquiry, the Turkish Foreign Minister had emphasised the importance



of the question. He would be glad if the special Committee could adopt a draft convention on the lines proposed by the Government of the Soviet Union with all the necessary definitions and explanations added. If this were done, it would be a valuable addition to the measures proposed or already applied for restoring confidence and stability throughout the world.

The CHAIRMAN, summarising the various speeches, noted that agreement was virtually unanimous on the point that the idea at the root of the Soviet proposal could be applied. Some delegations had declared their readiness to accept the principle of the peaceful co-existence of countries with different social, political and economic systems. There were, on the other hand, numerous difficulties in putting the idea into execution. These difficulties were of various kinds and proved that, as it stood at present, certain definitions and fundamental changes required to be made in the proposal, and perhaps even, as had been suggested, in its terminology.

Lack of time had prevented the Secretariat from extracting from the various suggestions and questions made the points necessary for framing a definite questionnaire. The Chairman therefore requested the Soviet delegation to explain its views on the basis of the Minutes of the first two meetings.

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### THIRD MEETING (PRIVATE).

*Held on Wednesday, November 4th, 1931, at 11 a.m.*

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*Chairman : M. DE MICHELIS (Italy).*

#### 4. Statement by M. Sokolnikov.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) spoke as follows :

[*Translation.*]

Mr. Chairman, — Allow me, in the first place, to express my appreciation of the authority and skill with which you have presided over this Committee and which have made it possible for all the delegations to set forth, in the course of two meetings, their views on the pact proposed by my delegation. At the same time, I must thank the other members of the Committee for the frankness with which they have informed the Soviet delegation of their hesitations or their objections regarding the basis of our scheme. The discussions have revealed the importance of the question with which we are dealing, as well as the interest which it arouses. The majority of the delegates have asked questions and submitted observations which, in the case of a new and complicated problem, are entirely natural. At the same time, it will be noted that the great majority of the delegates who declared themselves doubtful as to the basis of our scheme affirmed, at the same time, that the ideas of the pact are sound and that they contribute to peace; they have even been described in terms more flattering still. In this connection, Mr. Chairman, I should like to remind the Committee of your summing-up at our meeting on the evening of the second of this month, when you pointed out that the Committee was unanimous in considering that the ideas and principles embodied in our draft pact were in every way acceptable.

I apologise, gentlemen, for having delayed so long before replying to the questions which you have put to me. This is due to the very wide range of subjects which my delegation has had to study. The number of questions with which we have to deal is no less than fifty-two.

I have therefore to reply to a great many questions, the majority of which are highly interesting both from a theoretical and practical point of view. It has occurred to me that it would be desirable to attempt to divide these questions into several groups and to explain the Soviet delegation's point of view in regard to each group. The observations submitted may be divided into three main groups. The first group comprises remarks and objections intended to define more accurately certain ideas relative to the clauses of the pact. The second includes fundamental objections to the ideas on which the pact is based. The third consists of observations relating to form and procedure.

To the first group of observations intended to define the basic ideas of the pact belong questions concerning the correlation which exists between the principle of the most-favoured-nation and non-discrimination, questions concerning cases of discrimination and the extent to which it has been exercised, the relationship between discrimination and such instruments of commercial policy in capitalistic countries as export and import prohibitions, licences, quotas, etc. Other questions falling within the same group are those concerning the relationship between the pact and existing treaties, the correlation between non-discrimination and a new instrument of commercial policy in capitalistic countries — *i.e.*, the control of the circulation of foreign currencies. It is lastly to this

group that belong special questions raised by several delegates relative to various points not mentioned in our draft pact, such, for example, as the duration of the agreement, the organ on which the duty of determining the aggressor devolves, etc.

To the second group belong more particularly the observations of those delegates who pointed out that the obligations which the pact would impose on capitalistic countries are very different from those to be assumed by the Soviet Union, as this country had established a State monopoly of foreign trade. To the same group again belong the remarks made by the Swiss delegate, M. Stucki, regarding the dangers which the pact might possibly present for the interest of the less powerful countries. It is in this same group that we must class the questions relative to the level of cost prices in certain countries, although these have already been sufficiently debated and more or less settled.

The questions of form refer primarily to the character to be given to the instrument under discussion. Can a mere declaration be regarded as adequate? Is it possible to embody in a convention the ideas underlying the pact proposed by the Soviet delegation? Can Article 1 be adopted without Article 2, etc?

Having thus attempted to classify the questions which you have been good enough to put to me, I will now endeavour to reply to them.

In the first place, Mr. Chairman, a distinction must be drawn between the most-favoured-nation clause and the principle of non-discrimination. My reply to this question will greatly facilitate the comprehension of a number of objections aiming at a definition of the term of non-discrimination.

It was the delegate for Yugoslavia who first asked me whether the most-favoured-nation clause and non-discrimination were one and the same thing, and if they were not, whether the second of these principles was broader or narrower than the first.

In his second speech, the Yugoslav representative replied to this question himself and expressed the view that the most-favoured-nation clause and non-discrimination were not to be regarded as identical. Of that, indeed, there can be not the shadow of a doubt. It could not be supposed that, if the two conceptions were identical, the Soviet delegation would have thought of proposing the adoption of the principle of general non-discrimination, using an unfamiliar term to describe a principle which for three centuries has been known as "the most-favoured-nation clause". May I remind you in this connection of the definition suggested by M. Litvinoff in his speech at the second meeting of the Co-ordination Committee on August 31st last :

"The principle of non-discrimination precludes the laying down of special conditions in regard to a given country and the application in economic relations with that country of a regime which would place it at a disadvantage as compared with other countries".

It might be said that, up to a certain point, the principle of non-discrimination is the converse of the principle of the most-favoured-nation. Discrimination, indeed, is the exact opposite of the most-favoured-nation clause. It means that one nation is placed in a much less favoured position than others, or even in a position which is entirely unfavourable. The most-favoured-nation principle guarantees to the contracting parties all special privileges and advantages which may be granted even to a single country. The principle of non-discrimination, on the other hand, is in no way intended to guarantee that special privileges or advantages granted to third parties will also be granted to the contracting parties. Its only effect can be to prohibit the application to a given country or small group of countries of a commercial and financial regime decidedly less favourable than that which, under the commercial and financial policy of the country establishing this regime, is applied to other nations. In this way, the principle of non-discrimination, without being designed to ensure that a given country shall automatically enjoy all advantages granted to other countries, makes it impossible for that country to be subjected to a regime less favourable than the general regime.

This reply implicitly contains the answer to a whole group of questions raised by several delegates regarding the relation between non-discrimination and the ordinary and extraordinary methods of commercial policy current in capitalistic countries. It is, in the first place, absolutely clear that, as discrimination is not to be confused with the most-favoured-nation clause and guarantees no special advantage or privilege which any given country may enjoy, the principle of non-discrimination cannot affect the ordinary limitations placed upon the regime of the most-favoured-nation, such as Customs union, frontier trade, and recognised geographical clauses such as that applied by the Baltic countries to which the Latvian delegate has alluded, etc. I consider that this should suffice to dispel the fears expressed here with regard to the effect which the pact would have on such customary limitations. The same cannot perhaps be said of the exceptions to the most-favoured-nation clause which the German delegate has described as "special" and which consist in the introduction of what is known as a preferential regime.

In order to reply to the question regarding the relation between the preferential regime and non-discrimination, it will be necessary, as M. Litvinoff pointed out on a previous occasion, to proceed to an analysis of the economic aspect of the problem. If the formal application of such a regime to a small group of countries were, in fact, to amount to the establishment of special conditions affecting the commerce of any one country not included in the regime in question — as might happen in the event of the application of a preferential regime to the cereals of the countries of south-eastern and eastern Europe — that would

undoubtedly constitute a case of obvious discrimination. But this question is rather of an academic character. It is obvious that discrimination only exists when the country discriminated against refuses to accept the special regime which it is proposed to apply to it. On the other hand, at its fourth session, the European Commission admitted that the preferential regime cannot come into force without the consent of all the countries concerned. Thus we have the following alternative — either the consent of third countries is obtained, in which case there is no discrimination and there is no longer any contradiction between the pact and preferential regimes, or else the consent of third countries is lacking; and, in that case, the preferential regime will not be introduced without appeal being made to the pact.

The distinction which I have just drawn between the most-favoured-nation clause and the principle of non-discrimination makes it possible to reply to a whole group of other questions relating to the limits within which that principle is to be applied. We have listened in this Committee to the opinion of several delegates who referred to the difficulties experienced by the Economic Committee when it attempted to define the most favoured nation. The delegates who reminded us of this fact meant to imply that it would be even more difficult to give a clear definition of non-discrimination. My reply is that none of the problems relating to the most-favoured-nation clause which have been enumerated here raise any difficulties in regard to the analysis and definition of the principle of non-discrimination. Quotas, licences, import and export prohibitions and similar instruments of commercial policy are not in any way incompatible with the principle of non-discrimination, provided that they are not specially introduced and directed against a given country and that they form a part of the regime applied under the general commercial policy of the country adopting them. These expedients are only to be regarded as discrimination when a system of licences and quotas is applied exclusively to trade with certain countries at a time when the general regime is one of free imports and exports. You are aware that exceptional measures of this kind have been attempted and applied by several countries with regard to Soviet trade.

The question is no more difficult to solve if we examine the relationship between non-discrimination and the different methods of tariff policy applied by the various States. As non-discrimination does not require that any given country should be granted any of the special advantages enjoyed by third countries, it is perfectly clear that the application of this principle does not imply the right to enjoy the advantages for which provision is made in conventional tariff. This should reassure the delegates who have voiced their fear that the pact which we are proposing would necessitate the automatic extension of conventional tariffs to countries not parties to the treaties involved. The pact can only apply to the general regime, and there can be no question of its extension to special advantages arising out of treaties. I may add that the other questions of a like nature concerning the similar products clause, the specialisation of tariffs, etc., are not at all in conflict with the pact, provided that such clauses and systems are not specially introduced and aimed against any given country.

It is obvious from what I have just said that commercial treaties already in force and based upon the usual principles, such as the most-favoured-nation clause, national treatment, conventional tariffs, etc., without the inclusion of special clauses discriminating against third countries, are not dealt with in the pact which we are proposing and will be in no way affected by it. Several delegates have asked for more exact information on the degree of discrimination with which the proposed pact is intended to deal. The Belgian and Japanese delegates, for example, asked me whether the principle of non-discrimination applies merely to commercial exchanges in the narrow sense of the word or if it covers the whole range of economic relations, including the right of establishment, merchant shipping, etc. It goes without saying, Mr. Chairman, that, as the principle of non-discrimination forbids the introduction of a special economic regime directed against a given country, its application extends to all aspects of international economic relations.

The Japanese delegate further asked me whether the boycotting of foreign goods could also be described as economic aggression. It seems to me that, in the light of what I have already said, the boycotting of foreign goods is beyond all question a form of economic aggression within the meaning of the pact which we are proposing, if it is the outcome of Government measures, and this holds true even if such measures have not been made public. Should the boycott be prompted by the circumstances of a dispute, the question of its admissibility must be solved in the light of the decision taken on the merits of the dispute. Before leaving this group of questions, I should like to pause a moment to consider the distinction drawn by several delegates between the principle of the most favoured nation and non-discrimination in the matter of procedure.

The Yugoslav delegate has pointed out that the most-favoured-nation clause is already a feature of bilateral agreements, while the principle of non-discrimination would be laid down in a pact whose validity would be independent of such bilateral agreements. That is obvious. The pact must obtain results. Otherwise, why adopt it? Why propose it?

There is, however, one aspect of the question raised by the Yugoslav delegate which is worthy of special attention. My impression was that the Yugoslav delegate imagined that, as the Soviet Union has not concluded most-favoured-nation treaties with certain countries (of which Yugoslavia is one), it intends to use the pact as a means of obtaining certain advantages in these countries. In this connection I should like to remind you that I have already mentioned Yugoslavia in the list of countries which have applied a special regime to trade with the Soviet Union. It is evident that the conclusion of this pact would not oblige

Yugoslavia to grant the Soviet Union advantages attaching to most-favoured-nation treatment. We do not expect that for a moment. But it is no less evident that, if Yugoslavia were to accept this pact, it would no longer be free to continue the application of measures of discrimination aimed at the Soviet Union.

It may be that the Yugoslav delegate considers it expedient to retain such measures of aggression and discrimination against the Soviet Union. In that case, I have nothing more to say except to point out that the Yugoslav delegate has made no attempt to enlighten us upon the advantages to be derived from such a policy. His silence is significant, and we must leave the matter at that.

Let us now pass to the hesitations and comments expressed here in regard to the very root of the question. Is economic aggression a fact? Does discrimination really exist? And, if such expedients are really practised, should measures be taken to counteract them? It may be that they are legitimate and even favourable to the development of international relations. The Spanish delegate, in my opinion, expressed himself with the greatest clarity on this subject. Hitherto, we have been told that aggression may, indeed, exist, and that discrimination may, indeed, be a fact : but that, in any case, these expedients are not practised by capitalistic countries in their relations with each other. That is tantamount to suggesting that the Soviet Union is the only country interested in the conclusion of the pact. The Spanish delegate, on the other hand, frankly admitted that discrimination is universal in railway transport, in transit, in taxation, etc. M. Bernis also admitted the existence of numerous forms of aggression in international relations ; but the conclusions which he drew were somewhat paradoxical. He suggested that, as aggression and discrimination exist, it is useless to attempt to counteract them.

If we fall in with what I may term his philological attack on the conception of economic non-aggression and banish the terms "discrimination" and "aggression" from our vocabulary, it will also be necessary to reject the term "pact", and in that case the whole question which we have investigated at such length will be easy to solve. My view is the exact opposite, and I suggest that a frank admission of the existence of aggression and discrimination is the best argument in favour of the necessity of taking steps to abolish such practices and to prevent their embittering international relations.

The French delegate also admitted that discrimination exists, though he described it as an inevitable evil. M. Elbel endeavoured to show that discrimination was a kind of lifebelt which saves the lives of countries in process of submersion in the floods of the present crisis. Where is the saving of life when such measures lead to the drowning of others? It should be frankly admitted that discrimination, when conceived as a series of measures directed against a given country, can never be a means of defence or of self-protection. It will always be a means of attack.

If we examine the economic significance of such expedients, it is almost impossible to doubt that measures such as the sudden and simultaneous withdrawal of credits in a given country and similar financial action are a clear form of economic aggression if it is in a spirit of aggression that they are adopted.

The French delegate considers it impossible by mere appeal to the idea of economic aggression to compel banks to continue credits or to convert short-term into long-term credits.

It would be strange if I endeavoured to refute these arguments ; but it would be wrong to regard concerted action by banks which threatens to do deliberate harm to the credit of other countries as a perfectly natural commercial operation from which the element of aggression is excluded. Anyone could quote many recent passages from the European Press showing to what a degree banks are inspired by political considerations.

One of the delegates referred here to the question of the legitimate defence of the weaker countries against the stronger. But aggression is essentially the arm of the stronger ; and the less powerful countries are just those which have an especial interest in protecting themselves against the attacks of the more aggressive. The pact which we propose is nothing else than a defensive weapon.

Everyone knows that the policy of the Soviet Union has always been inspired by the keenest sympathy for the rights and interests of less powerful countries ; it is therefore natural that the pact which we are proposing should be inspired by the same spirit.

Several delegates enquired as to the duration of the pact. We deliberately abstained from indicating any duration. We think that the renunciation of economic aggression, like the renunciation of war as a means of settling international disputes, should not be restricted by any time-limits. But, if other delegations think differently, no doubt they will make their proposals, and we shall be ready to discuss them.

The Polish delegate, M. Sokal, asked who will be entitled to determine the aggressor. But who determines the aggressor in the case of the Paris Pact ? So far as the pact proposed by us is concerned, the country which first adopts measures of economic discrimination must be regarded as the aggressor. If it were so decided, we could introduce a definition to this effect into the text.

I have been replying up till now to questions relating to the fundamental principles on which the pact is based. I hope that my replies have helped to dispel the perplexity and doubts of certain delegates. I should have no objection to the details which I have endeavoured to give here being embodied in the document itself.

Let us now turn to the second group of objections, which express sympathy with the idea of the Soviet proposal, but contest its practicability. In this connection, I think we should consider what obligations are imposed by the pact on countries with different economic systems.

An endeavour has been made to create the impression that, after the coming into force of the pact, the Soviet Union would benefit by numerous advantages in capitalistic countries, whilst, owing to its monopoly of foreign trade, the Union might reduce the advantages of the pact for the capitalistic countries to nil. Is this really the case? In the first place, we must not overestimate the advantages which the pact would confer on the Soviet Union in capitalistic countries. These countries have long ceased to be markets widely open to foreign competition. Protectionist tariffs, export and import prohibitions, the system of licences, quotas and, lastly, the policy of monopolising foreign exchange and controlling its circulation, all make it possible to regulate foreign trade in the strictest manner without any need for a State monopoly. The proposed pact does not interfere with any of these forms of commercial policy.

Let us now consider what the pact would mean in the case of a foreign trade monopoly, and further — this interests several delegations. — whether the existence of the pact is compatible with the foreign trade monopoly system and whether in such circumstances it is solely of advantage to one side. I believe the existence of a foreign trade monopoly, far from diminishing the value of the undertaking not to discriminate, on the contrary gives it greater importance. In the first place, any measures of discrimination which might be taken by the Soviet Union would have, as elsewhere, to take the form of legislative or administrative action by the Government. It is common knowledge that, when in the course of a recent bitter conflict with a certain European country the Soviet Union was obliged to proclaim a commercial boycott of that country, it did so by legislative action. It is also perfectly well known that, in response to the aggressive measures of certain countries against the Soviet Union, the Government of the latter replied by administrative reprisals which it made public. Discrimination is not a form of action which is secret or unknown to the country against which it is directed. There would be no point in such action if it were secret. The abrogation of measures of discrimination adopted by the Soviet Union in reply to aggression and discrimination directed against itself is a matter of great interest to capitalist countries, as was seen recently during the discussions between the Soviet Union and a certain country which had decided on measures of discrimination against the Union. The Government of the country in question, in replying to the proposal which was made to it to cancel its discriminatory measure, put forward a counter-proposal that the reprisals of the Soviet Union should be discontinued at the same time. The agreement reached on this footing is the best proof of the bilateral nature of the principle of non-discrimination.

We are also told that the Soviet Union, having a foreign trade monopoly, may, in fact, render the pact valueless. Put less politely but more frankly, this amounts to saying that the Soviet Union, in proposing the pact and recommending its use in international relations, has no intention of applying it itself. On what is this strange supposition based? The Soviet Union has never given anyone reason to accuse it of not loyally carrying out its international engagements. I know that, in certain quarters, anti-Soviet fables are still believed. I know that sometimes it is thought fit to distort the intentions and proposals of the Soviet Government. Would it not be more sensible once for all to abandon these methods? It is true that the pact does not bind the commercial organisations of capitalistic countries or of the Union never, under any circumstances, to modify the amount of such orders as they have once decided to place. But variations in these purchases after the signature of the pact will depend on purely commercial considerations and will take into account the special circumstances of each particular transaction.

The Swiss delegate drew a picture of what would happen if a country with a foreign trade monopoly completely stopped purchasing in a particular country. It goes without saying that such a case is in practice impossible, or, rather, is possible only in the event of a rigorous commercial boycott. But any such boycott is incompatible with the pact, except in reply to a previous aggression. We on our side might just as well suppose that, in view of the extensive development of gigantic capitalistic monopolies and their close connection in many cases with particular Governments, it would be easy for capitalistic countries to evade the clauses of the pact without any publication of decrees for the purpose. Have we not recently listened to statements to the effect that international agreements between big capitalist trusts for the sharing of sale and purchase markets are of more economic importance than Customs regulations? Does not the monopoly of foreign exchange place in the hands of capitalist countries a means of fixing the volume and current of transactions with any particular country through the agency of the big banks under their control? I will not discuss here which form of monopoly is easier to circumvent — State monopoly or private monopoly, the monopoly of foreign currency or the monopoly of foreign trade. I prefer to suppose that the contracting parties, in signing the pact, will do so for the advantages which it confers, and not with the intention of paralysing its effect.



The British representative, Sir Sydney Chapman, expressed doubts as to the possibility of a non-discrimination agreement between countries with different economic systems. To dispel his doubts, I may refer him to an article from an Anglo-Soviet agreement — namely, the Commercial Convention between the Soviet Union and Great Britain which I had the honour to sign in the name of the Soviet Government in April 1930. This article is of such special interest in regard to the question we are now considering that I will venture to quote its text, which is as follows :

“ In concluding the present Agreement, the contracting parties are animated by the intention to eliminate from their economic relations all forms of discrimination. They accordingly agree that, so far as relates to the treatment accorded by each party to the trade with the other, they will be guided in regard to the purchase and sale of goods, in regard to the employment of shipping, and in regard to all similar matters by commercial and financial considerations only and, subject to such considerations, will adopt no legislative or administrative action of such a nature as to place the goods, shipping, trading organisations and trade in general of the other party in any respect in a position of inferiority as compared with the goods, shipping and trading organisations of any other foreign country”.

You perceive that the principle of non-discrimination applies in the relations between the Soviet Union, with its monopoly of foreign commerce, and Great Britain, which has until recently favoured free trade. We have here the same principle of non-discrimination which is at the basis of the pact we propose. The agreement from which I quoted a passage has been in force for about eighteen months. Not only has it given rise to no difficulty between the signatory States, but it has been an essential factor in the development of relations between them. True, it is a bilateral agreement ; but there is nothing in it which precludes its extension internationally. You see that the pact we propose is not a leap in the dark. It is in accordance with sound precedent. It is founded on ideas and methods which have been justified in practice.

Certain delegates who favour the idea of the pact express doubts as to the possibility of embodying the idea in a legal instrument of a contractual nature. I think that the extract from the Anglo-Soviet agreement which you have just heard may serve also to dispel such doubts. It seems hardly desirable to be content with declarations which do not bind the Governments. But the pact we propose will be in the nature of a general declaration in the sense that, without imposing definite concrete obligations, it will show the way and the direction to be followed by the signatories in their future economic policy. The significance of the proposed pact in this connection seems to me much greater than is at present realised.

The French delegate, in criticising the pact, asserted that it deprives capitalist countries of the defensive weapon which they require in order to face Soviet competition. He said that the peculiar feature of this competition, which he characterises as “ dangerous ”, consists in the fact that, in the Soviet system, the problem of cost price does not arise. He maintains that, in the Soviet Union, cost price is not a factor which has to be taken into account, and that foreign markets are thus exposed to the danger of being flooded by goods manufactured under the Five-Year Plan.

This picture is so remote from the reality that I will merely say it bears no sort of resemblance to the economic machinery or policy of our country. It is perfectly clear that no nation can flood the world market with goods sold below cost price.

We have treated, and we shall in the future treat, those special measures which certain countries take on the pretext of the peculiar character of what is called Soviet competition as nothing more nor less than a form of aggression.

M. Elbel, in order to strengthen his position, told us a picturesque — and non-political — story of the chickens and the salad. I must say I was not convinced by his anecdote. To be candid, I think M. Elbel's salad leaf conceals a well-known policy.

Several delegations said they were ready to accept Article 1 of the Soviet draft as to the peaceful co-existence of different economic systems. I find it, however, difficult to reconcile their declarations with their negative attitude in regard to Article 2 of the draft. Either peaceful co-existence is admitted as a principle — in which case countries must give up exceptional measures against countries with other economic systems, and accordingly must accept Article 2 at the same time as Article 1 — or the position is that countries with a certain economic system want to keep their hands free to discriminate against those with another economic system. In the latter case, why do they accept Article 1, which has no practical value without Article 2 ? The acceptance of the principle of peaceful co-existence without forgoing aggression and discrimination leaves untouched a number of dangerous elements which constitute a serious menace to the peaceful co-existence of peoples.

I am sorry to have taken up so much of the Committee's time ; but I could not do otherwise than reply to all the questions and remarks put to me. I hope I have explained in sufficient detail what is meant by non-discrimination. I think I have made it sufficiently



clear that non-discrimination does not conflict with the ordinary methods of commercial policy ; it is, on the contrary, their necessary corollary under modern conditions. It is also clear that the existence of different economic systems is not an obstacle to the acceptance of the pact.

It remains to sum up frankly the results of our discussion. Is it or is it not desired that discrimination and economic aggression should continue to complicate and envenom the economic relations between peoples? If you wish to combat these unhealthy phenomena, as we ourselves are anxious to do, then our common work should take expression in the drafting of a final text of the proposed pact of economic non-aggression, for submission to the Governments concerned as soon as possible. I really do not think there can be any longer any question of doing as the Finnish delegate in all courtesy proposed when he suggested that we should go back to our starting-point. The Special Committee was set up with definite duties ; and, so long as these duties are not performed, it cannot desist from its task or hand it over to other bodies or institutions.

As regards the practical procedure to be adopted for the purpose of drafting the final text of the proposal, I think the work should be left to a small committee elected by this meeting. In this small committee, authors of additions or amendments arising out of the discussions will be able to put their proposals in precise form. For instance, there might be a special definition of what constitutes discrimination as a special system brought into operation by legislative or administrative means. There might be a definition of discrimination introduced by Governments without official publication. It might be specifically stated that the clauses of the pact in no way invalidate existing commercial treaties, and are not opposed to the most-favoured-nation clause. It might be determined what measures of financial or credit policy are tantamount to discrimination. In the opinion of the Soviet delegation, the small committee should set to work without delay. This appears to me to be the only method of accomplishing the task on which we are engaged.

##### 5. Discussion of the Questions raised by M. Sokolnikov's Statement.

The CHAIRMAN pointed out that M. Sokolnikov's statement could be divided into two parts. The first contained the arguments in support of the Soviet proposal and the detailed replies to the objections raised and the questions asked by various delegates, and the other a concrete proposal for the formation of a small drafting committee which would be instructed to consider the Soviet proposal and ultimately make the necessary modifications to bring the proposed text into harmony with the various views expressed during the discussions. The Committee's task was therefore twofold. It must, on the one hand, define its attitude to the replies given by the Soviet delegation on the merits of the question, and, on the other hand, decide what action should be taken on the concrete proposal to create a sub-committee.

M. ASHIDA (Japan) wished to raise a point mentioned by the Soviet delegation which was of special interest to Japan. The latter was, as it happened, suffering from an economic boycott which assumed very extreme forms. As the Committee was aware, an economic boycott was often used as an instrument of national policy. If all civilised countries could agree to forego this policy entirely it would tend to alleviate and dissipate the tension which was disturbing the economic life of Asia. He drew their attention to the cardinal importance of China's defining its attitude to the pact of economic non-aggression. If the Chinese delegate would accept the proposed pact, so far, at any rate, as economic boycotting was concerned, it would greatly ease the relations existing between the two great countries of the Far East.

M. Woo KAISENG (China) observed that the Committee was discussing the Soviet delegation's reply to the objections raised against a draft pact of economic non-aggression. The Japanese delegate's question was therefore outside the scope of the discussion, and he would refrain from replying to a question which undoubtedly had a certain economic aspect but was inspired predominantly by political considerations.

M. ASHIDA (Japan) explained that, in raising the question, he had only had the economic aspect of the problem in mind. The Soviet delegation had referred to boycotting as a form of economic aggression.

The CHAIRMAN replied that particular cases such as that just raised could not be discussed by the Special Committee, which had to consider the general question of a pact of economic non-aggression. Whether an economic boycott could be described as aggression in the sense of the Soviet proposal was a question which could only be settled in each particular case after considering the causes of the boycott.

The various delegations had fully stated their views on the merits of the question. The Committee had now two proposals before it. The first suggested referring the

question for further examination, bearing in mind the observations made during the present session. The second suggested the appointment of a small sub-committee which, on the basis of the observations and objections made in the Special Committee, would consider the question and report to a plenary meeting of the Committee. The latter would naturally retain complete freedom to reconsider the text and, if necessary, amend it.

M. BERNIS (Spain) said that, if the Special Committee would satisfy M. Sokolnikov, and if a small committee, formed as he had suggested, could conclude a pact of non-aggression, it would undoubtedly be a great relief, although he personally disagreed.

If the Soviet proposal were adopted, the countries specifically mentioned in M. Sokolnikov's reply, such as Great Britain, which had concluded a treaty containing a non-discrimination clause, would, of course, have to be on the sub-committee.

He himself had no desire to be a member of the sub-committee. The cardinal question, to his mind, was how the economic measures of certain countries would be regarded. That could only be dealt with in bilateral instruments. Four years ago he had been instructed by his Government to deal with a similar question when a coefficient of exchange depreciation had to be applied to German imports into Spain. Before deciding the question, he had made sure that the various German manufacturers and importers did not practise dumping or sell goods below cost price.

In this case, the Russian proposal could hardly be considered until the actual cost prices of Russian manufactures had been ascertained and the Soviet Government had formally declared that dumping was not practised. He would, however, state that the Spanish Government was most desirous that the attitude of countries which rejected the pact should not be construed as hostile to the idea of economic non-aggression which was at the basis of the Soviet proposal.

M. STUCKI (Switzerland) thought there were two methods which might be adopted. The details of M. Sokolnikov's speech might be taken and discussed point by point, which would be an interesting but rather lengthy method. Various delegates had said that they could see no chance of such a pact being concluded or, if it were concluded, being applied. Other delegates had been more courteous in their objections and had confined themselves to asking questions.

The more appropriate method to his mind would be for the Special Committee, before appointing a small sub-committee, to decide whether the Soviet proposal was consonant with the interests of the various countries to which it had been made. As far as Switzerland was concerned, he had already given a negative reply. Another question to be decided was whether, even supposing the Russian proposal to be broadly consonant with the interests of each country, a workable text could be agreed upon. M. Stucki did not think that a plurilateral pact could go further than bilateral treaties.

The Soviet delegation's explanations added nothing fresh to the proposal, the scope of and motive for which his delegation had from the outset realised. The real point was still the relation between the clause of non-discrimination and the most-favoured-nation clause. M. Sokolnikov's explanations failed to remove the objection that the economic systems of the countries which would have to accede to the pact differed too much from one another to afford the necessary guarantees which would justify assuming more drastic obligations than those involved by bilateral treaties. According to the Soviet delegation, everything depended on whether the measures which might be described as discriminatory were taken with an aggressive intention. He was reminded of the academic discussions in penal law regarding a person's good or bad faith in committing some act. The question was to know what was taking place in that individual's brain. A problem which was so difficult to solve in the case of persons would be insoluble in the case of international questions on which a judgment could be passed only if the intentions of various governing authorities; politicians, etc., were known. It might well be asked what tribunal could state in each particular case whether a given measure had been taken in a spirit of aggression. It was replied that the pact of economic non-aggression was a supplement of the Paris Pact, and it would naturally be the duty of the same judge to decide on disputes arising out of one or other of these two pacts. M. Stucki could not believe that there were States which would allow a tribunal to declare that measures taken in a particular case were not justified by plausible economic reasons but constituted a violation of the pact. To take concrete instances which might actually occur, a country might prohibit the import of certain articles, such as nitrogenous products, which were only exported by one or two countries. If the latter complained that such prohibition was an act of aggression, they would be told that it was a general measure affecting imports from all countries. Similarly, if the import of watch-making articles were prohibited, and if Switzerland, which was practically the

only country concerned, complained of that being an act of aggression, it would always be told that it was a general measure. Yet it was obvious that, in practice, the countries in question would really be suffering from an act of economic aggression aimed exclusively at them.

For all these reasons the Swiss delegate could not believe in the practicability of the Soviet proposal, and therefore thought it useless to appoint a sub-committee which, after one week's work, would at most merely succeed in drawing up a draft convention to which no effect could possibly be given.

M. POSSE (Germany) found that M. Sokolnikov's explanations dealt satisfactorily with most of the questions he had asked. There were still a few secondary matters, such as specialisation, boycotting, etc., which might easily be settled by a sub-committee, and he agreed that such a committee should be formed. Apart from difficulties which might arise owing to the very short time at the disposal of most delegates, he had no objection in principle.

M. TODOROVITCH (Yugoslavia) considered that the proposal was very vaguely worded, which explained why fifty-two questions had been put to the Soviet delegation. The question now was whether M. Sokolnikov's replies were sufficiently informative. From the view which he took on the scope of the non-discrimination clause, it appeared that the latter would apply to the general regime and not to special preference arrangements and conventional tariffs. The Soviet delegate had also mentioned the treaty concluded between Great Britain and Russia containing this particular clause. What was Sir Sydney Chapman's opinion on the question whether the British view of this clause corresponded with that of the Soviet Government? The explanations already given were certainly useful, but there were still, he thought, many points not sufficiently cleared up.

He thought it inadvisable to appoint a small sub-committee. If the Soviet proposal remained as it was, the attitude of delegations which objected to the suggested pact would remain unaffected. A week would thus have been lost in drawing up a scheme which would be unworkable, and, in the end, the Soviet Union would have to be asked to settle the question by bilateral negotiations. If, on the other hand, the small sub-committee submitted a scheme which was very different from the Soviet proposal, the question would arise whether the Committee was entitled to give an opinion on the new scheme. Its terms of reference were to discuss the Soviet proposal as formulated and not to draw up a fresh text.

M. ELBEL (France) admitted that, on certain points, M. Sokolnikov's reply seemed to have dissipated the misunderstanding regarding the meaning of discrimination. On other points, however, the Soviet delegate, for all his skill, had failed to clear up the doubts of most delegations, particularly as regards the question whether a foreign trade monopoly enabled more or less deliberate measures of discrimination to be applied or not. No direct reply had been received either regarding costings. The explanation furnished did not give the impression that the competitor was working under similar economic conditions. Nor had any reply been returned regarding credits. The Soviet delegation had not said that it would not regard the withdrawal of the Government credits granted to certain countries as economic aggression. It was therefore not easy to form an opinion which would help in finding forthwith a satisfactory solution for the problem. Times were disturbed, and there was much uncertainty and anxiety regarding the future. It would be too ambitious to expect to solve such a thorny question at once. He agreed with M. Todorovitch that the Committee would be exceeding its powers if it drew up a fresh text. The Committee should merely submit to the Commission of Enquiry for European Union a report summarising the various arguments for and against the conclusion of the pact, and leave it to the Commission to draw its own conclusions.

M. COLOMBO (Italy), while admitting the weight of M. Elbel's arguments, thought a small sub-committee should nevertheless be set up. The question, after all, was one of principle, and should be closely examined both as regards its substance and its form.

Cemal HÜSNÜ Bey (Turkey) concurred.

M. HJELT (Finland), to dissipate the misunderstanding caused by his proposal for adjournment, explained to the Soviet delegate that he had not suggested making a fresh start, but merely recommending the Commission of Enquiry for European Union to appoint a special committee which could carry out a more exhaustive study. The other Finnish proposal suggested adjourning to a later date in order to enable the question to be thoroughly

examined and to reconvene the Special Committee a few days before the next session of the Commission of Enquiry — *i.e.*, about January 14th or 15th. M. Hjelt also declared himself in favour of appointing a limited drafting committee now.

M. ASHIDA (Japan) supported the Soviet proposal.

Sir Sydney CHAPMAN (Great Britain) doubted the advisability at the moment of appointing a small sub-committee to draw up a draft convention which would embody all the observations made during the discussion. Quite apart from the time which the sub-committee would need for its work, he doubted whether such procedure would be consistent with the Special Committee's terms of reference. It would therefore be better to draft a report stating the objections raised and the conclusions adopted by the Committee and leave it to the Commission of Enquiry for European Union to decide the further action to be taken.

Replying to M. Todorovitch's question, Sir Sydney Chapman declared that the insertion in the Anglo-Russian temporary commercial agreement of 1930 of the words referred to was an attempt to cope, as far as possible, with the difficulties to which he had drawn attention. The Committee would have to decide whether they could be used as the basis for a plurilateral convention.

M. ROMAN (Poland) agreed with M. Elbel that a report should be drawn up and submitted to the Commission of Enquiry, which would decide whether to put the proposal before the Governments.

M. BUERO (Uruguay) had been absent from the first meeting and had therefore had no opportunity of expressing his views on the Soviet proposal. Having heard the Soviet delegation's explanations of the scope of the scheme, he felt certain that the problem might merit closer consideration, and for that purpose it might be advisable to appoint a drafting committee. He disagreed with preceding speakers as regards the powers of the Special Committee, which had a perfect right to draw up a fresh draft convention embodying the various views expressed during the discussion. It was not fair to limit arbitrarily the Committee's powers. Delegates had come to Geneva with certain instructions, and it was natural that they should try to see whether they could carry out those instructions by amending the texts before them. If it were only a question of submitting a report, there was no need to convene a committee: it would have been sufficient to communicate with the Governments concerned.

Mr. LINDSAY (India) thought the various criticisms expressed on the original Soviet proposal might be summarised by stating that the pact attempted too much. Hitherto, European and non-European countries had progressed by concluding definite and precise agreements which could be interpreted by international courts. It was impossible to lay down in a categorical form a general principle which would apply to all cases. He therefore thought it inadvisable to try and redraft the Soviet proposal. It would be sufficient to send the Commission of Enquiry for European Union a report of the delegates' objections and M. Sokolnikov's replies, together with such further observations as had been made in the Committee. The report should also mention that the clause had already been adopted in a commercial agreement between England and Russia and that this bilateral procedure might be extended with some chance of success.

M. VALDÉS-MENDEVILLE (Chile) agreed with the Uruguayan representative on the question of procedure. The Special Committee did not consist of European countries only, but was international in character. It would not be fair for it to burke the question by submitting a report to a Commission which was purely European. At the same time, he did not believe that the small sub-committee could be convened immediately. It might be appointed now and convened for a later date. The various Governments had been asked to give their observations on the Soviet proposal. Chile had replied; but, as the invitation was still open, further observations might be received from the Governments. They could then be examined by the small sub-committee which would meet later, but, in any case, before the next session of the Commission of Enquiry for European Union. It remained to be seen whether the sub-committee would submit its report to the Special Committee or to the Commission of Enquiry.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) gathered that most of the delegates agreed that a small sub-committee should be appointed. The only question was what it would do. According to some delegates, the sub-committee should not adopt any conclusion. If so, the Special Committee would have failed in its duty and it would therefore be better for the Committee to say immediately that it refused. If that was not the Committee's intention, the sub-committee would have to adopt one or more conclusions

representing the respective opinions of the majority and the minority and state in its report that, while certain members disagreed, others agreed that the pact might be concluded, or that certain delegations believed that the pact could be accepted with the amendments which discussion had shown to be necessary. M. Elbel had said that the Committee should decide for or against the scheme, and that it would be exceeding its powers if it touched on the question of possible amendments. That, he thought, was not a suitable way of carrying on the work of an international committee. It was only done in the case of a popular referendum. If the Committee, again, was merely to submit a report without drawing any conclusions, it would be simply making an extract from the Minutes, which was rather the duty of the Secretariat.

#### 6. Appointment of a Sub-Committee.

The CHAIRMAN, summing up the various opinions expressed, pointed out that the Committee had been convened to consider a draft pact, and it was incorrect to say that its powers were limited. In proof, he would refer to a passage in the report of the Commission of Enquiry for European Union which showed that the Committee was to study the question and not confine itself merely to a superficial and strict examination of the Soviet Union's proposal. The task of the Committee was therefore to examine the question raised by the Soviet proposal. Had it done so? He rather thought not. Doubts and hesitations and objections had been expressed regarding the idea of a pact of non-aggression. Reference had been made to the difficulties which would arise if an attempt were made to put such a pact into execution. The delegates had unanimously admitted that the idea underlying the Soviet proposal was essentially liberal. Various points of difficulty had been raised and finally reduced to fifty-two. The Soviet delegation's reply was not merely a rejoinder to the objections raised, but it added new facts to the discussion, such as the clause of non-discrimination which appeared in the Anglo-Soviet treaty of commerce. As the Committee was not tied down in its examination of the question, the question arose whether it had given the problem sufficiently full and exhaustive consideration. From the point of view of the delegates personally, the subject might be exhausted; but, from the standpoint of the Committee as a whole, the work could not be abandoned until every possibility had been explored. Perhaps the sub-committee would conclude with M. Stucki that the pact could not be worked, or it might decide that it should merely draw up a report. He therefore proposed to appoint a small sub-committee, but not to give it any definite terms of reference. The sub-committee would report to the plenary meeting on the results of its work. When definite proposals had been put forward by the sub-committee, the Special Committee could study the question definitely and adopt its conclusions. He therefore proposed to appoint a small sub-committee representing the following countries: Chile, Czechoslovakia, Estonia, France, Germany, Great Britain, Japan, Poland, Sweden, Switzerland and Turkey.

M. STUCKI (Switzerland) said that as there could be no mistake about his view of the pact, he could not agree to become a member of the sub-committee.

The CHAIRMAN said he would substitute Yugoslavia for Switzerland.

M. TODOROVITCH (Yugoslavia) said that the reasons given by M. Stucki applied to him also.

*The membership of the Sub-Committee was finally constituted as follows: Chile, Czechoslovakia, Estonia, France, Germany, Great Britain, Japan, Poland, Sweden and Turkey, with M. de Michelis (Italy) as chairman. The delegation of the Soviet Union would also be represented.*

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FOURTH MEETING (PRIVATE).

*Held on Thursday, November 5th, 1931, at 11 a.m.*

*Chairman : M. DE MICHELIS (Italy).*

7. Examination of the Draft Report to the Commission of Enquiry for European Union.

PREAMBLE.

M. BERNIS (Spain) thought that as Article 23 (e) of the Covenant was referred to at the end of paragraph 1 of the Preamble, it would be better to reproduce the exact wording and not to substitute the notion of non-discrimination. The Committee had no authority to interpret a principle and could not amend in the slightest degree an existing text.

M. STOPPANI (Director of the Economic Relations Section) pointed out that the wording of Article 23 (e) of the Covenant had already been interpreted at various Conferences, including that of Genoa.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) thought it preferable not to try to connect the idea of non-discrimination with the terms of Article 23 (e) of the Covenant, and therefore suggested deleting the second sentence in paragraph 1.

*Agreed.*

At the request of M. BERNIS (Spain) *the following was added to the first sentence of paragraph 2 :*

*“ And the uncertainty which its wording might involve ”.*

CHAPTER I. — PARAGRAPHS 1 AND 2.

*Adopted without discussion.*

PARAGRAPH 3.

M. BERNIS (Spain) pointed out that it was unfair to say that the Soviet Union took no account of the cost price of the goods exported. The truth was that Russia had adopted a new method of calculating cost prices based on the general cost of its whole economic organisation. He would like this simple observation to be included in the Minutes.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) feared that the view taken by capitalist countries of Soviet Union's economics was quite different from the idea which that country had of its own economic system. Paragraph 3 should therefore contain a refutation of the argument put forward.

*After discussion, the following wording for paragraph 3 was adopted :*

*“ It appeared to some that this situation was further aggravated by the fact that the Union of Soviet Socialist Republics, as a consequence of its economic organisation, was in a position to encourage exports abroad without taking into account, as they maintained, the traditional factor of the cost price of the goods exported, a statement which the Soviet delegation categorically denied. ”*

PARAGRAPH 4.

*The opening words, “ In these circumstances ”, were deleted.*

*At the request of M. ELBEL (France) the words “ some members ” were substituted for “ the majority of the members ”.*

*Agreed.*

PARAGRAPH 5.

*At the request of M. SOKOLNIKOV (Union of Soviet Socialist Republics) the words, “ From the standpoint of possible State intervention in economic life ” were inserted in the second sentence after the words “ They added that ”.*

*After discussion, the following wording was finally adopted for the second half of this paragraph :*



"Moreover, the authors of the pact considered that, despite her special economic system, Soviet Russia was perfectly able to assume an obligation of non-discrimination equivalent to a positive guarantee. They pointed out that this country had, on several occasions, been led to promulgate as an act of reprisal laws prohibiting the purchase of goods in a particular country. In undertaking not to discriminate, Russia would have to . . ."

PARAGRAPH 6.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) proposed the following wording :

"Moreover, the delegates of the Union of Soviet Socialist Republics pointed out that purchases abroad were made on the basis of a general plan prepared by the Government, by State commercial organisations, which in the absence of special instructions were to be guided solely by commercial principles, and therefore buy in the market which happened to be most advantageous in each particular case."

*Agreed.*

PARAGRAPH 7.

*Deleted, at the Soviet delegation's request.*

CHAPTER II. — PREAMBLE AND PARAGRAPH (a).

*Adopted without discussion.*

PARAGRAPH (b).

M. FIEBLINGER (Czechoslovakia) thought the end of the second paragraph was illogical and suggested the following amendment: "without the consent of the party entitled to claim such advantage".

The Chairman suggested: "without the consent of the third parties concerned".

M. FIEBLINGER (Czechoslovakia) thought such an amendment would be too wide in scope.

M. POSSE (Germany) suggested: "without the consent of the parties signatory to the pact".

M. FIEBLINGER (Czechoslovakia) admitted that the question was a purely academic one, but it would be better to be more precise.

*After discussion, the following wording was finally adopted :*

"As regards the question as to how the pact would operate in the case of possible preferential agreements, the Soviet delegation considered that such agreements were only in contradiction with the draft if they were concluded without the consent of the parties which, in virtue of their commercial treaties, were entitled to claim the same advantage."

PARAGRAPHS 3 AND 4.

At the request of M. ELBEL (France), the words "it considered that" were, for greater clearness, inserted immediately before the words "these measures were compatible . . ." (paragraph 3). Similarly, the words "In the opinion of the Soviet delegation" were inserted at the beginning of paragraph 4.

PARAGRAPH (c).

*Adopted with the following amendment in the French text :*

*For "d'appliquer", read: "fussent appliqués".*

PARAGRAPH (d).

*Adopted without observation.*

CHAPTER III.

At the request of the Soviet delegation, a second paragraph was added, worded as follows :

"The Soviet delegation contended that it was, on the contrary, because the weaker countries were less able to defend themselves that they could derive nothing but benefit from the adoption of a pact of economic non-aggression."

*Chapter III was adopted with this amendment.*

CHAPTER IV. — FIRST AND SECOND PARAGRAPHS.

*Adopted without discussion.*

THIRD PARAGRAPH.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) proposed the substitution of the words "the problem of dumping and" for the words "on the other hand".

M. FIERLINGER (Czechoslovakia) proposed the addition of the words "by the Committee" at the end of the paragraph.

*The third paragraph was then adopted, its final form being as follows:*

"The problem of dumping and the question whether the introduction of anti-dumping duties or similar compensatory measures should be regarded as an act of aggression within the meaning of the draft was not settled by the Committee."

CHAPTER V.

At the request of the Soviet delegation — *the word "great" was deleted from the first paragraph.*

Following an exchange of views, *the first sentence of the second paragraph (beginning with "The majority of the members") was modified as follows:*

"The majority of the members of the Committee, however, thought that a multilateral agreement taking the form of the draft submitted . . ."

At the end of the same paragraph the words "in Chapter I" *were substituted for "above under A".*

M. BERNIS (Spain) recalled that the Soviet delegation had asserted that it was always possible to sign a bilateral treaty and that difficulties only arose in regard to the conclusion of multilateral treaties. He requested that the report should make it clear that such a conclusion could never have been deduced from the discussions of the Committee, and that no delegate had referred to bilateral treaties as an acceptable solution. M. Bernis asked that his remarks should appear in the Minutes.

The CHAIRMAN admitted that it might be possible to add a sentence such as the following:

"The Committee did not define its attitude as to the possibility of a bilateral agreement."

It should, however, be observed that this question was answered in the fourth paragraph of Chapter I. That passage reflected the general opinion as expressed, not in the Drafting Committee, but in a plenary meeting.

CHAPTER VI.

*Adopted without discussion.*

The CHAIRMAN declared that *the draft report was unanimously adopted.*

8. Examination of the "Summary of the Questions put at the Meetings of November 2nd, 1931 (drawn up by the Secretariat in the Light of the Discussion)" (Annex 1).

*The Committee decided after discussion that the "Summary of the Questions put at the Meetings of November 2nd, 1931 (drawn up by the Secretariat in the light of the discussion)" should appear as an Annex to the Minutes, which would also include the questions as put by the various delegations and the Soviet delegation's reply.*

9. Examination of the Draft Resolution.

The CHAIRMAN announced that, after careful examination, this draft had been unanimously approved by the Sub-Committee set up the previous day.

Sir Sidney CHAPMAN (Great Britain) would have preferred the title "General conclusions" to "Draft resolution".

M. STOPPANI replied that, in its final form, this draft resolution would come immediately after the report and would be preceded by the words, "The Committee arrived at the following conclusions".

FIRST PARAGRAPH.

As a result of certain observations by M. BERNIS (Spain), and at the request of M. SOKOLNIKOV (Union of Soviet Socialist Republics), *the words "and recognises the generous and profoundly humane elements in that proposal" were omitted.*

SECOND PARAGRAPH.

At the request of the French delegation, *the words, "it adheres to the view, the truth of which is, indeed, demonstrated by the facts", were omitted.*

*In its final form, the second paragraph read as follows :*

"It asserts that it is possible for countries with a different economic and social structure to exist side by side. It is emphatically of the opinion that, in economic relations, States must be guided solely by the necessities of economic life, and not by any considerations explicitly derived from differences of political and social systems."

THIRD PARAGRAPH.

At the request of M. BERNIS (Spain), *the first sub-paragraph was modified as follows :*

"Having regard to the different interpretations given to the actual terms of the draft pact and the difficulty of defining within the framework of the pact, aggression, discrimination, etc."

M. BERNIS proposed the insertion in the second sub-paragraph of a time reference in order to guard against the possibility of a change in international relations. He suggested the addition of the words "at the present time" or "in the present state of affairs".

M. SOKOLNIKOV (Union of Soviet Socialist Republics) considered that these expressions were vague and added nothing to the general implications of the sentence.

The CHAIRMAN shared this view and said that he preferred the present text, which stated an indisputable fact.

*The maintenance of the present text was adopted by thirteen votes to one.*

THIRD SUB-PARAGRAPH.

*Adopted without discussion.*

FOURTH SUB-PARAGRAPH.

*Adopted, with the following modifications. After the words "for European union" were added "next January". The words "the Governments may by that time have sent" were replaced by the words "the Governments are requested to send".*

The CHAIRMAN declared that the report, as amended, and the general conclusions and the amendments thereto, were unanimously approved, except that one delegation had voted against one sub-paragraph of the conclusions.

M. SOKOLNIKOV (Union of Soviet Socialist Republics) announced that the Soviet delegation could not vote in favour of the first three sub-paragraphs in the third paragraph of the conclusions. Subject to this one reservation, his delegation would vote with the rest of the Committee.

10. Date of the Committee's Next Session.

Following an exchange of views, it was decided to leave the President and the Secretariat free to fix in due course the date of the Committee's next session, which would take place in the interval between the session of the Economic Committee and that of the Committee of Enquiry for European Union.

ANNEX 1.

SUMMARY OF THE QUESTIONS PUT AT THE MEETINGS OF  
NOVEMBER 2ND, 1931.

(Drawn up by the Secretariat in the light of the discussion.)

I. GENERAL QUESTIONS.

1. How is it possible to establish the text of a convention between States having political and economic systems as different as those of the Union of Soviet Socialist Republics and the other European countries, and a text which, given these differences, will take equitable account of them and not give rise to any misunderstandings ?

2. How can the idea of non-discrimination be reconciled with the maintenance of a State monopoly of foreign trade ?

3. How can the initiators of the pact reconcile the continued execution of a plan of forced exportation, without any economic notion of cost price — the consequence of the Five-Year Plan — with the idea of economic non-aggression ?

II. QUESTIONS RELATING TO THE ACTUAL SUBJECT OF THE DRAFT PACT.

1. *In general* :

What is meant by economic non-aggression ?

2. *In particular* :

(a) Have non-aggression and non-discrimination, as contemplated by the pact, the same scope and the same meaning as the unconditional and unlimited most-favoured-nation clause, or have they a wider sense ?

(b) Are not non-aggression and non-discrimination simply equivalent to the abandonment of all import and export prohibitions (even measures which *in form* apply to all countries but *in fact* affect only a few or only one) ?

(c) Is the boycotting of foreign goods an act of economic aggression ?

(d) Is the refusal to grant or to extend credits or other banking facilities an act of economic aggression ?

III. QUESTIONS RELATING TO THE FIELD OF APPLICATION OF THE PROPOSED PACT.

1. Does the pact affect existing commercial treaties, and, if so, how ?

2. Should the principle of non-aggression be embodied in commercial treaties or established in a separate treaty ?

(a) In the latter case, should it apply to all countries independently of commercial treaties ?

(b) More particularly, would it oblige the States parties to the pact to grant one another the benefit of conventional duties or the minimum tariff, even though they had not concluded commercial treaties between themselves ?

3. Does non-discrimination as contemplated in the draft refer to Customs duties alone, or does it also extend to prohibitions, land, sea and air transport, transit, the awarding of contracts, the treatment of foreigners and foreign companies, fiscal measures, etc. ?

4. Does the principle of non-discrimination formulated in the draft admit of exceptions or provide special solutions for the following problems :

(a) Customary exceptions to the principle of the most-favoured-nation clause (frontier traffic, Customs unions, regional and colonial clauses, etc.) ;

- (b) Quotas ;
- (c) Preferential duties ;
- (d) Similar products ;
- (e) Anti-dumping and compensating duties ;
- (f) Control of foreign exchange.

5. How and on what basis could a dividing-line be drawn between forms of discrimination which are permitted and those which are not ?

#### IV. QUESTIONS RELATING TO ADDITIONS TO BE MADE TO THE DRAFT.

1. What would be the duration of the pact ?
  2. What would be the procedure in the case of disputes arising out of the interpretation and application of the pact ?
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[Distributed to the Members  
of the League, the Assembly  
and the Council.]

Official No. : **A. 66.** 1931. VII

Geneva, September 21st, 1931.

LEAGUE OF NATIONS

**WORK OF THE COMMISSION OF ENQUIRY  
FOR EUROPEAN UNION**

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**RESOLUTIONS SUBMITTED BY THE SIXTH COMMITTEE  
TO THE ASSEMBLY**

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*Rapporteur* : H. E. M. Giuseppe MOTTA (Switzerland).

1. The Assembly notes with satisfaction the results of the work done by the Commission of Enquiry for European Union ;

It approves the report of the Commission of Enquiry regarding its constitution, organisation and methods of work ;

It requests the Commission to pursue the work undertaken in conformity with the principles laid down in the Resolution of September 17th, 1930 ;

It recommends it to have recourse whenever possible to the technical organs of the League of Nations and to refer to the League the settlement of any problems which it thinks capable of solution on a world scale ;

It requests the Commission to submit a report on its further work to the next session of the Assembly.

2. The Assembly approves the proposal of the Commission for European Union that it should itself set up a special Committee to study a Pact of Economic Non-aggression.

The Assembly decides that the following States shall be invited to take part in the work of this special committee on an equal footing with the members which the Commission of Enquiry may appoint :

Australia,  
Canada,  
Chile,  
China,

India,  
Japan,  
Uruguay.

The Council is requested to invite the Government of the United States of America also to send a representative to the special committee if that Government considers it desirable.

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Genève, le 21 septembre 1931.

**SOCIÉTÉ DES NATIONS**

**TRAVAUX DE LA COMMISSION D'ÉTUDE  
POUR L'UNION EUROPÉENNE**

**RÉSOLUTIONS SOUMISES PAR LA SIXIÈME COMMISSION  
A L'ASSEMBLÉE**

*Rapporteur* : S. E. M. Giuseppe MOTTA (Suisse).

1. L'Assemblée enregistre avec satisfaction les résultats des travaux accomplis par la Commission d'étude pour l'Union européenne ;

Elle approuve le rapport de la Commission d'étude concernant sa constitution, son organisation et ses méthodes de travail ;

Elle invite la Commission à poursuivre l'œuvre entreprise en conformité des principes posés dans la résolution du 17 septembre 1930 ;

Elle lui recommande de recourir, toutes les fois qu'il sera possible, aux organismes techniques de la Société des Nations, et de déferer à la Société des Nations le règlement des problèmes qui lui paraîtraient susceptibles de recevoir une solution sur le plan universel ;

Elle prie la Commission de présenter un rapport sur ses travaux ultérieurs à la prochaine session de l'Assemblée.

2. L'Assemblée approuve la proposition de la Commission d'étude pour l'Union européenne tendant à créer elle-même un Comité spécial pour l'examen d'un pacte de non-agression économique.

L'Assemblée décide que les Etats suivants seront invités à participer aux travaux de ce comité spécial sur un pied d'égalité avec les membres que pourrait nommer la Commission d'étude :

Australie,  
Canada,  
Chili,  
Chine,

Inde,  
Japon,  
Uruguay.

Le Conseil est prié d'inviter le Gouvernement des Etats-Unis d'Amérique à se faire également représenter dans le comité spécial si le gouvernement susindiqué l'estime utile.